



# Real Estate Advisor



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## Tips For First-time Buyer

**Try to Refrain from Large Purchases:** If possible, don't make any big purchases or take out loans that you can't pay off in full within six months. When you're calculating how much you can afford to spend on a home, your total monthly debt should not exceed 36% of your gross monthly income. If you owe any more than that, you could find it hard to get a loan.

**Investigate "Hidden" Costs:** Closing costs are normally 3-5% of the property's value. In addition, owning a home has associated costs - insurance, property taxes, and maintenance all add up. Plan to spend 1% of your property's value on annual repairs. Remember that moving into your first home probably means spending extra money on furnishings, too. Take all of these things into account when you're calculating how much you can afford to borrow, and how much you'll need to cover up-front costs.

**Shop Around for a Loan:** In a hot market, sellers often only consider bids from buyers who have mortgage pre-approval. Don't use this as a reason to rush into getting a mortgage. Take the time to find a good deal, and carefully consider your options when it comes to interest rates and other terms. Take into account how long you intend to live in the property. If you plan to move out after a few years, an adjustable rate mortgage may work better for you. *Get a copy of the Good Faith Estimate before making a commitment so that you're aware of these costs up front.*

**Using a Buyer Agent:** A buyer agent is legally responsible for representing the buyer's interest in a real estate transaction. Generally, the buyer agent is compensated by the seller at the time you purchase a new home. There are some limitations to using a buyer agent, however. Before you decide, have a Realtor explain the advantages and disadvantages of using a buyer agent.

**Hire Independent Inspectors:** When you find a property you like, the next step is hiring inspectors. This is usually optional, but it's still an important part of the process. Before you make this purchase, you need know all about the property - whether it's structurally sound, if the plumbing and wiring are in good condition, and if it has sustained any major pest damage. Your agent may provide you with a list of contacts or may offer to help handle it. However, it may be more prudent to hire independent inspectors. Using an agent's "buddies" sounds attractive because it's one less thing for you to do, but on the other hand the agent wants this deal to close so they can collect their commission, and they may not have your best interests in mind.

**Don't Let Your Emotions Take Over:** Buying a house can be stressful. Try to keep a cool head and be realistic. If small repairs are needed on a property that you really like, don't be discouraged if the seller refuses to take care of them. Instead, negotiate a lower sales price. Similarly, set a limit on what type of repairs you're willing to tackle yourself and then stick with that limit. If you don't want to cope with major structural repairs then avoid properties that need them, no matter how much you like it or how flexible the seller is willing to be on price.



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