

Malvern Bank's Mortgage Minute: When Navigating the Homebuying Process, Don't Forget Your Checklists

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Buying a home can be challenging for the buyer, especially if the buyer is purchasing their first home. The best way to tackle the task is to create checklists. In this column, I'll suggest two different lists to help homebuyers:

1. Questions to consider before you buy
2. What to look for in your new home

Questions to consider before you buy

According to the financial website Investopedia, homebuyers should consider the answers to six questions before buying a home.

1. How's your financial health?

Do an audit of your finances. You need to be prepared for both the purchase and the ongoing expenses of a home. Look at your savings. Investopedia suggests not even considering buying a home before you have an emergency savings account with three to six months of living expenses. When you buy a home, there will be considerable upfront costs including the down payment and closing costs. You need money put away not only for those costs but also for your emergency fund.



Review your spending. You need to know exactly how much you're spending every month – and where it's going. This calculation will tell you how much you can allocate to a mortgage payment.



Check your credit. To qualify for a home loan, you'll need good credit – a history of paying your bills on time. Investopedia suggests that homebuyers have a debt-to-income ratio of no more than 43%.



2. Which type of home will best suit your needs?

A traditional single-family home, a duplex, a townhouse, a condo, a co-operative, or a multi-family building with two to four units? Each option has its pros and cons, depending on your homeownership goals. Your realtor can help you sort out the differences in these home types.

3. Which specific features do you want your ideal home to have?

The list of features you “want” or “must have” in your home can be voluminous. Check out my suggestions under “What to look for in your new home” below.

4. How much mortgage do you qualify for?

Investopedia advises that homebuyers get an idea how much a lender will give them to purchase a home before they start shopping. The lender will base the amount on factors like how much other debt you have, your monthly income, and how long you've been at your current job. Make sure to get preapproved for a loan before placing an offer on a home. In many instances, sellers will not even entertain an offer that's not accompanied with a mortgage preapproval.

5. How much home can you actually afford?

In deciding how big a loan to actually take, you'll want to look at the house's total cost, not just the monthly payment. Costs to consider? Property taxes, the cost of homeowners insurance, closing costs, and how much you anticipate spending to maintain or improve the house.

6. Who will help you find a home a guide you through the purchase?

A real estate agent can help you locate homes that meet your needs, and they can assist you in negotiating the entire purchase process, including making an offer, getting a loan, and completing paperwork. It is best to retain the services of a realtor who has had success in the area in which you're looking to move. The largest purchase you'll likely ever make is no time to entrust the process to a family friend – or relative – unless they have the experience and success you're looking for.

What to look for in your new home

Once you know you're ready to start looking for a new house, it's a good idea to write down what you want in the house. Look at how your family lives and outline your lists of "wants" vs. "needs."

According to nationally known real estate investor and lender Than Merrill, who consults with home sellers, here are six of the most likely amenities first-time homebuyers are prioritizing in 2021:

1. Updated kitchens and baths – A survey conducted by Metropolitan Regional Information Systems Inc. found that 81 percent of respondents recognized updated kitchen and bathrooms as the most important feature when considering whether or not to purchase a home.

2. Open floor plans – Homebuyers are looking for more living space. Fifty-nine percent of first-time homebuyers placed a priority on less-confined homes, or those that facilitate functionality.

3. Low-maintenance features – First-time homebuyers simply don't have the expendable funds to worry about too many costs that follow the actual purchase itself. For example, Merrill recommends that home sellers refurnish kitchens with new appliances. The less a homebuyer will have to address after immediately purchasing the home, the better.

4. Energy efficiency – Among the features homebuyers are looking for are improved attic insulation, double-paned windows, low-flush toilets, and anything else that will reduce both their carbon footprint and energy consumption.

5. Laundry rooms – Laundry rooms have found themselves at the top of almost everyone's priorities list. According to a Kiplinger article, 91 percent of buyers want laundry rooms in their new homes. Having a separate room to use for things such as folding or ironing clothes "helps keep the mess out of your living space."

6. Patios – As a result of the coronavirus pandemic, many homebuyers are looking for entertainment space both inside and outside of their homes. According to the Metropolitan Regional Information Systems survey, patios are wanted by about 87 percent of today's buyers.

Finally, here are some of the most common items – some very general, some specific – that are included in many homebuyers' "want" or "need" checklists:

- ◆ Age of home
- ◆ Number of bedrooms
- ◆ Number of bathrooms
- ◆ Location of master bedroom
- ◆ Kitchen features
- ◆ Formal dining room
- ◆ Finished basement
- ◆ Hardwood floors, tile, carpeting
- ◆ Number of stories
- ◆ Yard size
- ◆ Attached or detached garage (1-car or two-car)

- ◆ Heating type
- ◆ Air conditioning
- ◆ Commute time to work
- ◆ Distance from friends, family, schools
- ◆ Ambient noise; are there trains, airports or busy streets or highways nearby?
- ◆ Access to hospitals or other healthcare
- ◆ Area crime rate

If you'd like more information on homebuying – or if you need help with a home mortgage – I encourage you to contact me at mortgages@MyMalvernBank.com or 610-251-2221.

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