

# What First-Time Home Buyers Need to Know (2021)

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Buying your first home is a huge project. It, most likely, will be the biggest purchase you ever made and, most likely, will be until you purchase an even more expensive house. With such a big purchase ahead of you, you need to understand exactly what the buying process is like, so that you can accurately plan.

By starting your planning early you are able to more accurately figure out where you stand. Maybe you will discover that you are in a position to buy a home. Maybe you'll find out that there are certain steps you need to take first. The only way to truly know is to start figuring out the home buying process.

If you're wondering what first-time home buyers need to know in order to handle the first-time home buying process, we answer all of the questions that you have, and all the questions you didn't know you had, here.

## What You Qualify For May be Different Than What You Can Afford

The standard for what you can qualify for when looking at a mortgage is 43% of debt to income. That means that all of your debts plus your mortgage would add up to 43% of your gross income.

With this standard, you may end up with a fairly tight budget after accounting for all of your other expenses.

Deciding what's best for you is very dependent on your situation. You have to take into account how much debt you have as well as your ratio of income to savings.

In order to make an educated decision, look into [first-time home buyer education courses](#).

## Is a Real Estate Agent Worth It?

Real estate agents have expertise that can help your purchase. It can be tempting to cut out the middleman with the goal of a more efficient process or to have more control, but having a realtor on your side is bound to help you out.

They can help make the process faster, get you a better price, and handle negotiations with ease. The best part? Realtors work at no cost to the buyer. You get professional help without dropping a cent in fees.

## Differences Between a Seller's and Buyer's Market

When going through the home buying process, it's important to understand whether you're in a buyer's or seller's market. This will affect how you handle finding a home as well as how you handle making an offer.

Here are some things to look for to identify if the area you are looking to buy a home in is a seller's market:

- **How is the economy of the area that you are looking at?** If this is a growing city with lots of new jobs, it may be a seller's market. On the other hand, a city with a struggling economy may be a buyer's market.
- **How many houses are available?** It's not a perfect rule, but generally, low inventory of available houses indicates a seller's market and high inventory denotes a buyer's market.
- **Who is selling homes?** If you notice a lot of "Sale by Owner" homes, that most likely means that homeowners are able to sell their homes easily, without needing help from a realtor. This is a key sign of a competitive real estate market.

Once you've made that determination, you will know how to approach the home buying process. It can be a bit more difficult to buy your first home in a seller's market, but not impossible. For this, check out our top tips on buying in a seller's market:

- **Seek Out Pre Approval:** When it comes to negotiation, you have to stand out from the crowd. It may not seem like much to get pre-approved, but if it puts you ahead of other people making similar offers on the same house it can be a big deal.
- **Reassess What is a Dealbreaker:** When the seller is in control you won't be able to be as picky when deciding which home is right for you. We suggest going through your list of what you're looking for and determine what is truly a "need" and what is really a "want" out of your new home.
- **Understand Your True Budget:** Once you have determined what your budget is for a house, you may start looking for homes that are roughly the same listing price. In a seller's market, this can lead to disappointment. If the market is very competitive, you shouldn't be shocked to have to go over the listing price in order to get a house.

For more in-depth information, take a look at our [Atlanta Homebuyers Guide to Buying in a Seller's Market](#).

## You'll Need More than Just a Down Payment

When going through the home buying process, you'll discover just how many costs are associated with buying a home. When planning ahead, be sure to take this into account on top of just your down payment.

Buying a home is a big investment, you want to play it safe. Taking a risk when buying a home can result in you ending up with a money pit. To avoid this, you need to pay to get a certified inspector to verify that your potential new home meets all of the necessary standards. According to [Bankrate](#), the typical range is between \$300 and \$450 for a home inspection.

Finally, you have closing costs. These are fees and expenses that typically end up ranging from 3%-5% of your loan amount.

Some common closing costs include loan origination fees, title insurance, closing or escrow fees, and more. Many of these closing costs involve you paying for things like insurance in advance or fees from any agents, banks, or attorneys that were involved.

# There is Help Out There

It may seem like a lot, but you don't have to go through the home buying process alone. There are first-time home buyer programs dedicated to helping you. These are typically run as private nonprofits through government programs.

Homeownership is achievable for everyone.

Many places offer free classes and resources dedicated to providing you with the education needed to be a smart homebuyer.

Through these programs, there are counselors who will work with you to help you through every step of the process.

You may qualify for downpayment assistance. These come in the form of loans with 0% interest and no monthly payment. All you have to do is pay it back when you sell your home, or before if you're able.

Since these typically work via state programs, there is some variation between how each program works. For example, in Michigan, there is a lot of work done through the Step Forward Michigan Program, while in Georgia they utilize the Georgia Dream Program. That means first-time home buyer programs in Detroit and first-time home buyer programs in Atlanta have slight differences. The best way to know for sure how they can help you is to get in touch with them.