

## Real Estate

# Top First-Time Home Buyer Tips

Matt Woolsey, 06.26.07, 6:00 PM ET

There is more to buying a home than collecting curtain swatches and making sure you've got enough moving boxes.

Other, just-as-important details include calculating the cost of [renting vs. owning](#), the quality of the local school district, [legal fees](#), [local preservation laws](#) and signs of value in the neighborhood in which you are looking.

Consider house hunters in San Diego. There, the single-family home market is experiencing a significant price correction. In 2006, the market dropped 4.5%. Renters pay 38% of the cost of an owner's mortgage payment, according to data from Torto Wheaton Research, a research firm owned by CB Richard Ellis. That's compared with 79% nationwide.

### In Pictures: Top Tips For First-Time Home Buyers

#### Video: First Home Buying Tips

The situation illustrates a key point. Owning a home fulfills a central element of the American Dream, but if you don't do the math, it can quickly turn into a nightmare.

Take mortgage payments. During a market slide, they have high opportunity costs since home investments for the most part aren't appreciating well. Prices across the country continued to drop last month. During May, year-over-year prices fell for the 10th consecutive month and existing home sales dipped 0.3%. If you've locked into a mortgage, you're paying a rate that may no longer represent your home's value.

Still, there is a silver lining. In markets with excess inventory, first-time home buyers are a prized commodity, says Mark Zandi, chief economist at Moody's Economy.com. They help stabilize a market in flux.

How so? National vacancy rates are at a 15-year high of 2.8%. For a seller, a first-time home buyer is ideal as the sale won't be contingent on the buyer selling his or her present home, an arduous task.

Having the upper hand is great, but how to play it best? Do your homework.

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"Environmental research in commercial real estate is common practice, but for some reason people don't always do it with their homes," says Robert Barber, CEO of Environmental Data Resources. "Most of the time there's no problem, but it's worth it for the peace of mind."

An environmental data firm, like Barber's, can tell you every potential concern within a six-acre circle of your lot, whether that involves a leaking gas tank, the location of a former drug lab, any possible water pollutants or logged Center for Disease Control concerns. A standard report costs between \$100 and \$150.

If the neighborhood has a historical preservation board, [figure out how much leeway](#) they'll give you for additions and remodeling. In some areas, homeowners need to get sign-off before making any changes. This can mean limits on the color of paint or style of architecture, as well as restrictions on how big a house can become based on the size of the lot.

Of course, all that means nothing if you can't afford to buy. If you're not one of the 22% of homeowners who receive their down payment from a family member, according to the National Association of Realtors, you can get creative.

One such way to raise cash is to [tap your 401\(k\)](#). Many plans allow for a one-time loan up to 50% of the account, or up to \$50,000. It won't get you a tax write-off, but you'll be repaying yourself as a lender. The risk is if you lose your job or switch jobs, in which case you have to pay the balance within 60 days or pay tax and penalties.

The bottom line: Given the state of the market, first-time buyers are in prime position to snag a good deal.



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