

Questions to ask before deciding to buy a home

Buy now or wait on the sideline? That's the question many prospective home purchasers are asking nowadays, especially considering how mixed the messages have been in the media about whether or not this is a buyer's market.

While all real estate is local and can vary from market to market, the latest national numbers show that conditions favor both buyers and sellers — which means that home shoppers need to do their homework carefully.

First, consider the indications that the housing climate is improving for sellers. According to CoreLogic, home prices have increased nearly 10 percent in the last year. Credit Suisse's latest survey results show that home prices rose last month in all 40 markets it indexes for the first time ever.

Sales for new single-family homes are up 28.9 percent in the last year, per the U.S. Census Bureau, and existing home sales rose 9.1 percent year-over-year in January, reports the National Association of Realtors. Concurrently, housing inventory was down 25.3 percent in January compared to one year earlier.

However, keep in mind that home prices nationwide are still about 30 percent below the peak they reached at the height of the housing bubble in the summer of 2006, according to Standard & Poor's Case-Shiller index. Additionally, mortgage interest rates remain near historic lows: The 30-year fixed mortgage rate has been hovering around 3.5 percent as of this writing, compared to approximately 3.88 percent this time last year. These are healthy signs that market conditions remain favorable to buyers.

Regardless of how you interpret these numbers, you stand a greater chance of scoring a better deal on a home purchase and not suffering buyer's remorse if you prepare properly, the experts say.

Can I afford it?

"The most important question a prospective buyer can ask themselves is if they can really

afford a home," says Joe Caltabiano, vice president of mortgage lending with Guaranteed Rate in Chicago.

A mortgage professional can help in this respect. He or she will evaluate your finances based on credit score, existing debts and gross income. You should inquire about what kind of purchasing power you can expect — and the mortgage professional will ask for your level of risk tolerance related to interest rates.

"What will your monthly payments be at different interest rates? [This] can help you decide if you have the tolerance to sit on the sidelines in case interest rates go up," Spencer Krull, broker associate with Teles Properties in Beverly Hills, Calif., says.

Is the time right?

Next, get a feel for supply and demand in your chosen location. Your real estate agent or broker is the best source for this information.

"Ask your (agent) how many homes of home inventory supply are in your area. If it's under four months, you can expect higher competition for the home you want to buy," says Susan Stynes, real estate agent with Long and Foster in Richmond, Va.

You need to understand your competition, says Paul LeJoy, owner/broker of Pacific Realty Partners in San Francisco.

"Are there a lot of cash buyers versus FHA and other down payment buyers? What are your chances of competing with investors with deep pockets?" LeJoy asks.

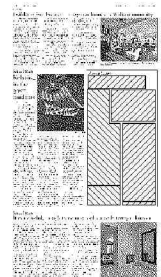
Am I ready?

Lastly, contemplate your job security and income prospects, says Jacky Teplitzky, managing director of Douglas Elliman in New York City.

"Are you in a [job] for the long run? Are you going to be relocated? Will you lose your job? If the answer is yes to the last two questions, you should rent and not buy," Teplitzky says.

Despite signs that sellers and buyers may be on a more equal playing field than last year, now is still a great time to purchase, Krull says, if you can find the home you want.

"The cost of money is very low, and though prices are rising, we're not even close to the bubble



pricing of 2007," Krull says.
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