

Finding the Right Home

Introduction



If you don't really know what you're looking for in a home, how do you find the right one? Careful planning and consideration of your options can help ensure that you will be happy with the one you select. You may decide that buying a traditional,

single-family home is not your best bet. A condominium or a cooperative may better serve your needs. Or, you may decide that building a new home may be the only way to get what you want. Whatever type of home you end up looking for, your selection should be based on an educated decision.

Before the search

Before you begin the search for a home, you should make sure your financial house is in order. Get a copy of your credit report and verify that the information it contains about you is correct. If not, correct any errors as soon as possible. If you have any outstanding bad debts, you should clear them up before you apply for a mortgage or else risk paying a higher interest rate or being denied altogether.

Once you know your credit history is in good shape, search for a mortgage lender and get preapproved for your mortgage. Having a mortgage preapproval letter will give you credibility and possibly extra leverage as a buyer when it comes time to make an offer to purchase a home.

If you don't know anything about home construction, you may want to learn some basics. Become familiar with both positive and negative things to look for in a home. Doing so will help you spot both features of value (the dovetailed joints in the kitchen cabinets) and signs of poor workmanship or damage (the water stain on the sunroom ceiling). This can be particularly important if you're looking at older homes.

When you start looking, always be prepared to make an offer on a home. You never know when you'll come across the one you want. Once you do, you may find you need to act quickly to keep it from falling into the hands of another interested buyer. At the same time, learn to be patient. Don't jump at the first house you see because you're afraid you won't find anything better. Wait until you find what you're looking for, because you may have to live with it for some time to come. You want to be happy with the home you select.

Consider your needs

When deciding what you need in a house, move from general to specific considerations. Begin by picking a price range and a general location. Next, think about what sort of living arrangement (e.g., a single-family home, condominium, or cooperative) best suits your needs. Once that's done, you can focus on more of the details, such as a particular neighborhood, the age of the home, and the type of home you want.

When you get down to even more specific details (e.g., the number of rooms, a fireplace), you may want to make a list of wants and needs, keeping in mind what you can afford. This may help you keep matters in perspective once you begin shopping.

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Community living arrangements

Many people prefer some sort of community living arrangement, and condominiums and cooperatives are two widely recognized variations of such arrangements. The terms "condominium" and "cooperative" (or "condo" and "co-op") do not refer to specific types of buildings or communities; rather, they reflect legal forms of ownership. While the two are somewhat similar, there are important differences between them.

Condos

As a condo owner, you typically don't own the building or the land. Generally speaking, you own everything within your unit, but not the physical structure itself. You also own an undivided proportional interest in the rest of the development. Part of your monthly condominium fee is used to operate and maintain these common areas.

A board of directors governs a condominium community. Elected by the condominium association, which is made up of all the owners in the community, the board is responsible for managing the property and protecting the interests of the owners.

In most areas, getting a mortgage to buy a condo is no more difficult than financing a single-family home purchase. Mortgage interest and property taxes are generally tax deductible if you itemize, just as they are on a single-family home.

Co-ops

When you buy a unit in a co-op community, you're actually buying shares in the corporation that owns the entire complex. This corporation generally holds the mortgage on the cooperative property. By purchasing shares in a co-op, you obtain the right to use your unit and an interest in the common areas. Monthly co-op fees cover not only shared maintenance and insurance costs, but also utilities, property taxes, and principal and interest payments on the property's mortgage.

Like condos, co-ops are governed by a board of directors. In addition to all the responsibilities of a condo board, co-op boards are responsible for making monthly mortgage payments on the property, as well as approving or rejecting prospective buyers.

Because you aren't actually buying real property, you would take out a share loan instead of a mortgage to purchase a co-op unit. The interest on a share loan isn't deductible, because the stock securing the loan is considered personal property. However, if the co-op unit is your primary or secondary residence, the portion of your monthly co-op fee used to pay mortgage interest and property taxes would be tax deductible.

Some important distinctions

Condo boards tend to be somewhat less restrictive than co-op boards. Both set and enforce rules regarding occupancy, pets, and alterations or improvements to individual units. However, unlike condo boards, co-op boards tend to scrutinize prospective members personally, professionally, and financially. The co-op board might reject someone for any number of reasons. Because of this, it can also be difficult to sell your co-op unit, since the board of directors must approve the buyer.

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In contrast, condo boards cannot prevent you from selling your unit to whomever you choose. Moreover, if you decide to rent out your unit, the condo board can't dictate your lease terms unless the condo rules and regulations restrict or prohibit leasing.

Advantages and drawbacks of community living

Community living arrangements can be an attractive alternative to traditional single-family dwellings. Since condos and co-ops are often less expensive than single-family homes, first-time homebuyers may find them an easier way to take advantage of the benefits of homeownership. Many condo and co-op communities include health clubs, tennis courts, pools, playgrounds, and other amenities. Shared ownership can also help build a sense of pride and community spirit.

There are drawbacks, however. You may have significantly less privacy in a condo or co-op community than you would in a

single-family home. Your condo or co-op board may not approve renovations you want to make. And as the common facilities age, costly repairs may result in increased monthly condo or co-op fees.

Building a home

Sometimes, building a home may be the only way to get what you really want. Building has its tradeoffs, however. Often, you must choose from a group of standard floor plans rather than design your own. Delays and shoddy workmanship are always a risk.

However, if you have thought it through and still want to build your dream house, you have a few planning steps to take.

You must choose a lot. You must choose a builder. You may need to shop for a construction loan. You should hire an attorney to handle the purchase and sale process. Careful planning is required to help minimize the risk of buying something that hasn't yet been built.

Choosing a neighborhood

Your home's value will be influenced by the value of the properties surrounding it. Common wisdom suggests that you should not purchase the most expensive home in the neighborhood. There are numerous factors to consider when choosing a neighborhood; some may be more important to you than others. Among them are:

- **Schools:** The quality of the schools in the area is of extreme importance, especially if you have children. Even if you don't, the reputation of the school system may be an important factor if you later decide to sell your home.
- **Crime levels:** Is the crime rate increasing or decreasing? Find out the frequency of break-ins and other crimes against homeowners in the area. Public records at the town hall and newspaper archives at the local library may be good sources of information.
- **Utilities:** What's the average cost of utilities in the area? How does the tap water taste, and is it fluoridated? How promptly does the phone company respond to maintenance calls? Is cable television available?

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- Hospitals: Find out how close the nearest hospitals are. Inquire about the reputations of emergency and other services, and determine if they accept your medical insurance.
- Property taxes: What is the residential property tax rate, and how often does it increase? How is the property appraised?
- Municipal services: Determine what services (e.g., garbage removal, recycling, or water and sewage) might be provided by the community, and what services (if any) you'll have to pay a private contractor to provide.
- Accessibility: If you choose a suburban location, will you have a lengthy commute to work? Test your commute to work in off-peak hours and during prime drive time.
- Business considerations: If you operate a business from your home, you'll need to know whether this is permitted in the neighborhood you are considering. Will on-street and/or off-street parking be available?
- Recreation: Will you be near golf courses, public gyms, tennis courts, swimming pools, or parks? Will you need to pay to use these facilities?
- Transportation: Convenient access to commuter rail lines, buses, subways, and highways is generally advantageous, although noise, traffic, and pollution can be concerns if these facilities are too close to your home.
- Traffic: While an increase in traffic generally signals growth in the area, excessive traffic can cause unhealthy levels of noise and air pollution. Get a clear impression of the traffic situation both during the week and on the weekends.
- Shopping: Are you close to grocery and convenience stores, pharmacies, gas stations, dry cleaners, and banks? Are you so close that traffic will be a problem?
- Neighbors: Can you determine if your neighbors might share your interests? Look for ski racks or bike racks on their cars, or barbecue grills in back yards. If you have children, are there signs of other children of similar ages in the neighborhood?
- Terrain: Find out if flooding has been a problem in the recent past, or if the area is part of an identifiable flood plain.
- Future improvements: Check with the zoning department at the local town hall to see if any zoning changes, airport expansions, road improvements, etc. may impact the area you're considering.

Make a list

To help you refine what you're looking for in a home, consider making a list of your wants and needs (bearing in mind the difference between the two). You might also compile a list of objectionable features, or "don't wants," to get a complete picture of your ideal home. While evaluating your wants and needs, don't forget about your resources (or lack thereof). Always keep in mind what you can afford.

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