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How to buy a home

Lower home prices and a large selection, along with an \$8,000 federal tax credit this year, mean now might be a good time to buy a house.

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Hakan and Devrim Alparsla, who currently live in a two-bedroom apartment, know what they are looking for in their first house.

Let's tick off some of the attributes:

Three or more bedrooms. "We just need a bigger place," said Devrim Alparsla. They hope to have a children and want space for visiting family and friends to stay as well.

A basement. Hakan Alparsla plays guitar and wants to have a small studio.

Priced at between \$400,000 to \$450,000. Alice Houston, a sales associate at Coldwell Banker in Holmdel, is helping the couple in various Monmouth County towns, including Matawan and Aberdeen.

They know that now's the time to buy. Home prices have fallen. Fixed mortgage rates, while rising recently, are still low. There's an \$8,000 federal tax credit available for first-time home buyers until Nov. 30.

"With the money that we can afford, compared to before, we can buy a better place because the prices came down," Alparsla said. "Even from last year to now, we have seen a decrease in the prices."

So how do you get started? First a little bit about the housing market.

Home prices have fallen and are expected by some in the industry to bottom out in the third quarter. According to the Otteau Valuation Group, the median home price in Monmouth County dropped 11.3 percent in the first quarter from the same period a year earlier to \$324,519. In Ocean County, the median price declined 10.5 percent from the same period in 2008 to \$223,642, the East Brunswick real estate consulting firm reports.

People are reacting. The inventory of homes for sale at the Jersey Shore has shrunk since January as sales have increased, said Jeffrey Otteau, president of Otteau Valuation. Once again there are reports of multiple offers for some properties.

The sales pace in Monmouth County increased 24 percent in February, 21 percent in March and 18 percent in April, Otteau said. In Ocean County, the sales pace jumped 33 percent in February, 16 percent in March and 11 percent in April, he said.

"That is a typical spring pattern, but the fact that things are rising that strong suggests that we are getting back to a normalized market," Otteau said.

It will become more expensive as mortgage rates rise while people delay making a decision to buy, Otteau said. A 1 percent rise in mortgage rates represents a 9 percent increase in the price of a home, he said. Or, in other words, a \$500,000 buyer would have to add an extra \$45,000 in down payment to keep the same monthly payment if rates were 1 percent lower, Otteau said.

When is the time to enter the market? "The No. 1 answer is very quickly," Otteau said. "We can see it plainly that waiting is very expensive."

The prospective buyer should first get pre-approved for a mortgage.

"Before you even start you have to get prequalified to know how much you can afford, before you even look at anything," said Diane Turton, broker and owner of Diane Turton Realtors. "The mortgage industry has changed dramatically. What you can afford now and what you could afford four years ago are two different numbers."

You'll need to factor a down payment into your decision.

A mortgage backed by the Federal Housing Administration can require a down payment of as little as 3.5 percent, said Drew Anlas, senior vice president at Select Mortgage Corp. in Brick.

A conventional mortgage with a 20 percent down payment will avoid private mortgage insurance. Otherwise, your down payment size will depend on your credit profile and the type of property you are looking at, Anlas said.

Most buyers turn to the Web to start their home search, said Michele Forman, sales associate with Weichert Realtors in Jackson. There will be a complete description of the house, including pictures.

You'll also find information about the neighborhood and school system.

Figure out what you are looking for to help you narrow down the choices. Do you want a home near the water? Do you want to start and raise a family? Do you want a pool or a garage?

A real estate agent who is knowledgeable about market trends and the available inventory can guide and help you figure things out. Agents also have an eye on new listings, price changes or homes that have closed and are no longer available, Forman said.

You should look at homes you are interested in and meet your criteria. Try to picture yourself and your family living in the house and spending time in various rooms, Forman said. "It is something that you may potentially live in," she said. "It is no longer on a piece of paper."

Houston, the Coldwell Banker real estate agent, and the Alparslas look at about five homes a week.

"Once you walk in, you have the feeling that this could be your home or not," Houston said. "Even from the entrance, you may like or dislike a house."

In the car, they discuss the house together and the Alparslas go over details again at their home. "Sometimes we go out a second time to see the same houses," Houston said.

If you decide to go for it, you can make an offer. A market analysis that looks at comparable houses for sale, those under contract and those that have sold recently can help determine a fair price, Forman said.

"You don't want to offend the sellers," Forman said. "Sometimes you go in very low, they don't want to business with you."

Once the deal is negotiated, it's reviewed by attorneys before the house is put under contract, a process that can take three to seven days.

Afterward, there's a home inspection, which could include a well or septic inspection, Forman said.

Both sides decide on the repairs. Buyers and sellers can opt to buy home warranty insurance that will cover repairs for mechanical problems such as a broken furnace, air conditioning system, or hot water heater, Houston said.

During the entire process, you'll need to finalize your mortgage commitment as stated in the contract, Forman said.

It may take 30 to 60 days to close on the house following the attorney review period.

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