



March 6, 2009

What You Need to Know to Buy a Home Today

by Phoebe Chongchua

Don't let a sluggish economy get you down. There are reasons to shop for personal items—including a new home. I recently saw an advertisement for a new car that said you could return the car in the first year if you lose your job. While there may not be that incentive for homes yet, some other perks might give you reason to start your housing search.

If you can afford to buy, consider making homeownership a goal this year, especially if you haven't owned a principal residence in three years prior to buying. The new stimulus package sweetens the deal for homebuyers who purchase a residence on or after January 1, 2009, and before December 1, 2009. The incentive is for first-time homebuyers who remain in their home for at least three years. It provides a credit for 10 percent of the home purchase price, up to an \$8,000 limit. The credit can be taken on your 2008 or 2009 tax return.

If you close on a home after the April 15 tax deadline, you can apply for an extension provided that you close on your home before the extension deadline of October 15. If you're extra speedy and have already filed your 2008 return, don't worry—you can file an amendment to claim the credit. You have three years to do that. You'll need IRS Form 1040X to do that.

Taking the credit on your 2009 return or getting the benefit now, before filing your return, by adjusting your income wage withholding are also options.

The full credit applies to those first-time homebuyers whose modified adjusted income is less than \$75,000 or \$150,000 (filing jointly). The credit amount drops as your income rises. And if your income is over \$95,000 or \$170,000 (filing jointly) then you're out of luck—the credit is eliminated.

Be sure to speak to experts to ask questions as some other qualifications apply.

Yet another reason, you may want to shop around is to get in on the action while it's still a buyers' market. Others certainly see the U.S. as a stable place to invest. According to the Association of Foreign Investors (AFIRE), a survey released earlier this year showed that more than 53 percent of respondents ranked the "U.S. as the country providing the most stable and secure real estate investments."

Foreigners from China, Thailand, Vietnam, Mexico, Europe, and South America are traveling to the U.S. to see what real estate opportunities exist in the U.S. Areas such as Las Vegas, New York, and Miami have been infiltrated with foreigners who are buying now to take advantage of their stronger currency or the opportunity to stash their cash in a dollar-dominated place. While many are looking for commercial properties, some are vying for residential properties too.

"This is the greatest opportunity we've had in 50 years," says Billy Procida, president of William Procida, Inc., a turnaround management firm for middle market real estate companies. He says even

though there is a lot of inventory on the market, certain properties will have less interest and be a better bargain.

"If you buy something that is pristine, painted, clean—brand new—you're going to be competing This is truly the time when the folks who are willing to roll up their sleeves and do some work will benefit from it," says Procida.

So if you're ready to buy but wondering if you can qualify for a loan, Procida recommends the following:

1. Put down 20 percent on a home or don't buy it. He says even if you can get a larger loan, don't risk it. "Buy within your means. Look how we got in this crisis," says Procida. He adds, "There are still people out there doing no income verification loans." Bottom line—buy what you can afford.
2. Check your credit. Procida says one of his family members found out that there was \$20,000 of erroneously reported credit debt. "It's absolutely incorrect, but it was on there," says Procida.
3. Clean up your credit. "If you have a delinquency clean it up, says Procida. And he advises that you check your report once it's been cleaned up because sometimes the credit agencies neglect to update your credit report.
4. Be prepared. Get all your financial records such as two years of tax returns in order and have them handy to make the loan process go smoothly.
5. Liquidity is key. Don't go buy a car before you plan to purchase a home (even if you can return it). Having cash helps to show you are qualified to buy at the price point you want.

Copyright © 2009 Realty Times. All Rights Reserved.

With an award winning staff of writers providing up to the minute real estate news and advice, thousands of REALTORS® in North America reporting daily market conditions, and a nationally broadcast television news program, Realty Times is the one-stop shop for real estate information. That's why over 10,000 real estate professionals have turned to us for their publicity needs.