

Before You Buy a Home

Before you start the process of buying a home, ask yourself these six questions:

1. Is this the right time to buy?

In addition to putting down roots in a home of your own and saying "goodbye" to the landlord's restrictions, homeownership brings concrete financial rewards. As a homeowner you can:

- **Reduce your tax burden.** The interest you pay on your mortgage is usually tax-deductible. This can lead to significant tax savings--especially in the early years of the mortgage term, when most of your monthly payments go toward interest. Make sure you consult your tax advisor about the deductibility of interest.
- **Start building wealth.** Making a mortgage payment every month builds up your equity stake in your home, contributing to your long-term savings and helping you solidify your financial future.
- **Build your credit history.** Timely mortgage payments can contribute to a positive credit history.

But you'll have to make some adjustments. You'll probably have less disposable income and you'll definitely have more responsibilities. Home repairs and upkeep will require time and financial commitments that you currently do not have. And your lifestyle may change. You might have to settle for a smaller "first house" and then trade up. And you probably won't have as much cash for dining out or weekend getaways. Now is the time to carefully weigh the pros and cons and analyze the financial impact of homeownership.

2. How much can I afford?

This is your starting point in the home buying process. It involves taking stock of your finances and seeing if you really have the funds to buy a home that's acceptable to you at this point in your life.

Home affordability is determined by:

- **Monthly pre-tax income.** Money coming in from salary, investments and other sources such as commissions, social security, etc.
- **Outstanding debt.** Credit card, installment, and other monthly obligations.
- **Borrowing power.** The amount a mortgage lender is willing to lend you. This is the key factor in determining your new home's affordability.

You may be closer to homeownership than you think. Pre-qualification by a mortgage lender lets you know how much money you can borrow if your loan application is approved.

3. How much money will I need?

In addition to your potentially sizeable monthly mortgage payments, you'll need to set aside some money for the one-time, big-ticket purchases that come with homeownership. Things like window shades, appliances, and furnishings can all add up. And what about moving costs? Make sure you leave yourself enough cash after your down payment and closing costs.

4. How long do I expect to be in my home?

The length of time you anticipate residing in your home affects your down payment and closing strategies as well as the type of mortgage you choose.

5. Should I work with a real estate agent?

You might consider working with an agent because an agent knows the neighborhood, directs your search, scouts the market for properties you can afford and that meet your requirements, arranges and accompanies you on viewings, and acts as a liaison between you and the seller.

6. Should I hire a lawyer?

This depends on the state you're in, local practices and your personal situation. In some states, lawyers act as closing agents. Check with friends and relatives in your area and check with your real estate agent, if you have one, for their advice and recommendations. If you do work with an attorney, make sure that he or she is a real estate specialist.

NEA members can obtain more information about the home buying process, or request a free pre-qualification analysis, by calling the **NEA Home Financing Program**[®] at **1-800-NEA-4-YOU** (1-800-632-4968). You'll speak to one of Wells Fargo Home Mortgage's experienced home mortgage consultants. Be sure to ask about the current bonus offer for NEA members and their families. They are available from Monday through Friday, 8 a.m. to midnight, and Saturday, 9 a.m. to 5:30 p.m. (Eastern Time). If you prefer, visit us online at www.neamb.com/loans/hmfpgge.jsp or stop by your local Wells Fargo branch – and be sure to identify yourself as a member of NEA.

Deaf/hard of hearing individuals may call 1-800-842-3548 TTY. Spanish-speakers may call 1-800-544-3482.

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