

## First Time Homebuyer Advantages

The advantages of being a first time homebuyer are plentiful and can be utilized if you know and understand your options and the ways in which you can save money.

### Lower Interest Rates For First Time Homebuyers

As a first time homebuyer, you are offered far lower interest rates than an investor. If the standard interest rate you are being quoted is 7.5%, then you can be sure that the real estate investor who is interested in your hopeful new foreclosure home is going to be faced with an interest rate of at least 9.5%. When the real estate investor is planning to rent the home after purchase, this increase of 2% interest plays into the financial viability of the purchase for the investor. Knowing this should help you understand the benefits of getting out to the foreclosure home you are interested in sooner and moving on it faster.

### Tax Exempt Status For Foreclosure Homes

Most states recognize the need for government-owned homes to be removed from the ledgers of the taxpayer. In order to make these foreclosure homes more attractive to a potential homebuyer, many standard items are not required.

For example, most counties in the United States have special tax exemptions for buyers of foreclosure homes. This reduces and, in some cases, removes entirely the requirement to pay county transfer taxes when the home is purchased directly from the federal government.

In Maryland, for instance, a first time homebuyer is allowed an exemption from paying the Maryland state transfer tax. That equates to a 0.25% savings on the purchase price of the foreclosure home at the settlement table.

### Exemption of Real Estate Appraisal

Another example of savings for a first time homebuyer is the exemption of a real estate appraisal when buying a foreclosure home from the Veterans Administration (VA) or Housing and Urban Development (HUD). As long as you are asking the government agency selling the foreclosure home to help finance the same house, you are not required to have the home appraised. These agencies allow this because they have already appraised the foreclosure home and therefore do not require you to do the same. You can, in fact, use their appraisal to determine value when the need arises.

### Early Bidding Window For Foreclosure Homes

Because HUD strives to make more Americans homeowners, an owner-occupant—you—wishing to bid on a foreclosure home is offered a five-day window of opportunity to bid on a given home during its first five days on the market. During this time, a real estate investor that wishes to bid on the same foreclosure home is not legally able to offer a bid at all. After the five-day window has closed investors are permitted to come out of the woodwork with a vengeance. Use this window to your advantage by getting out to a foreclosure home that you might be interested in quickly and either moving on it or moving away from it.

### No Current Home To Sell

First time homebuyers are not hindered in bidding on a foreclosure home by needing to unload another home before buying the property they are bidding on. This keeps many thousands of would-be homebuyers out of the foreclosure home arena. Use this to your advantage.

Additionally, there is no such thing as a contingent contract when making an offer on a foreclosure home. The word “contingent” refers to the situation that homebuyers find themselves in when they currently own a home and must sell that real estate it before buying a new home. When the seller accepts a contingency, the homebuyer has no obligation to purchase if their house does not sell. Use the lack of contingent offers in the government foreclosure arena to your advantage.

If you do happen to be an owner of a home and are looking into the purchase of a government foreclosure home, be content with the knowledge that every contract has a financial contingency and, therefore, you are indirectly not obligated to make the purchase unless you qualify to carry two mortgages at the same time, which is highly irregular.

### Termite Inspections and Foreclosure Home Repairs

Whereas most homes require a complete termite inspection and repairs paid for by the homebuyer, the VA and HUD have both found it beneficial to cover these costs with regard to foreclosure homes so long as the homebuyer is financing the home with their respective help.

If you are buying an Insured Property, FHA/HUD will pay for all necessary repairs required in order for the foreclosure home to meet minimum property standards (MPS). MPS is not the same as traditional FHA standards. MPS is quite a bit less rigorous. Do not let this scare you off, as termite testing and treatment are fairly standard and MPS should have no effect on the quality of termite treatment.