

# First Time Home Buyer Guide: Tips for Buying in Florida

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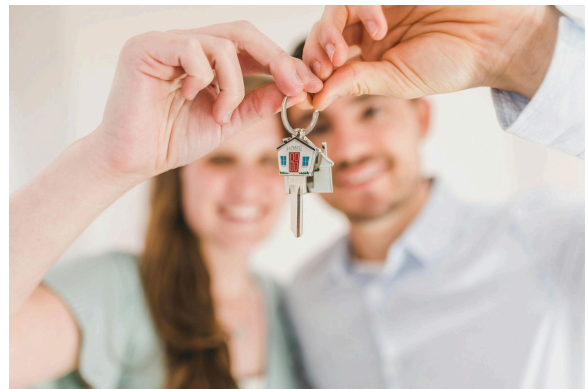
Being a first-time homebuyer in Florida can be both exciting and overwhelming at the same time. Florida is one of the most popular states in the US for homebuyers, offering a wide range of options for buyers with different budgets, preferences, and lifestyles. In this guide, I will walk you through some of the key things you need to know before buying your first home, especially in Florida.

## Florida is Different

The rules for negotiation in other geographical areas are different in Florida. The reason for this is buyer competition. According to recent statistics, first-time buyers only make up 20% of Florida home buyers, which is lower than the national average of 32%. With anything, supply and

demand determine what direction the housing market is headed. When there are more buyers than inventory, this leans the market towards a sellers' market, if there is more inventory than qualified buyers, that leans the market towards a buyers' market.

The first question to ask, "are we in a buyers' market or sellers' market?" See [Current Real Estate Market Trends](#).



## Determine Your Budget

Before you start searching for your dream home, it's essential to wisely determine your budget. Considering your income, expenses, savings, and current debt, you should have a clear idea of how much you can afford to spend on a home. A good practice for deciding how much house you can afford, keep your housing cost no more than 25% of your total income. This means you should consider your income, expenses, savings, and current debt when determining your budget for a home.

There are online calculators to estimate your monthly mortgage payments. Those costs vary based on your down payment, interest rate, and terms. Then there are the amenities, age of the home, property taxes, and insurance costs.

## **Pre-Qualified Vs.**

### **Pre-Approval**

Once you have a budget in mind, you can explore different financing options such as conventional loans, FHA loans, VA loans, and USDA loans. Each option has its own requirements, benefits, and drawbacks, so it's important to do your research and consult with a lender to find the best fit for your needs.

Here is the difference between pre-qualification and pre-approval in the context of mortgages.

Pre-qualification is the preliminary step in the mortgage process that provides an approximate estimate of your borrowing power. During pre-qualification, you provide your credit, debt, income, and asset information to the lender, but it doesn't involve a thorough financial assessment. Based on the information provided, the lender estimates the amount you may be able to borrow. Some lenders may run a credit check, which can either be a soft inquiry (that doesn't affect your credit score) or a

hard inquiry (which can slightly lower your credit score). Pre-qualification is suitable for first-time home buyers who are exploring the market and aren't ready to commit yet.

On the other hand, pre-approval is a more comprehensive process that comes after pre-qualification. To get pre-approved, you need to provide detailed documentation of your financial information, including income, assets, and debts. Pre-approval involves a thorough credit check and if you're pre-approved, the lender provides a conditional commitment to loan you the money for a mortgage. In today's competitive market, real estate agents and sellers often require pre-approval before showing you properties. Unlike pre-qualification, pre-approval carries more weight and requires a more rigorous assessment of your financial situation.



# The Four Costs of Homeownership

## The Cost of Borrowing Money

It's important to be aware of the total cost of a mortgage before making a decision. For a \$300,000 loan with a 7% APR and a 30-year term, the total amount paid including both principal and interest would be approximately \$718,527.60. This calculation assumes a fixed interest rate and doesn't include other costs like property insurance, property taxes, or private mortgage insurance. The monthly payment in this case would be \$1,995.91, with \$418,527.60 paid in interest and \$300,000 paid in principal over the course of the loan. Keep in mind that every individual's mortgage situation is unique, and it's important to carefully consider all factors before making a decision. And finally, mortgage interest is still tax deductible, renters need to remember for every dollar they pay in rent they had to pay taxes on the money that paid out, in contrast, mortgage interest is a deductible, the actual dollar for dollar cost are not the same.

[See Current Rates at Bankrate.com](#)

## Property Taxes

In Florida, property taxes are determined by the assessed value of the property, which is calculated by the county property appraiser. This value is a percentage of the property's appraised value. Additionally, each county in Florida sets its own millage rate, which is used to calculate the property tax owed. It's important to note that one "mil" equals \$1,000 of value (or \$1). The millage rates are consistent across different property categories, meaning that residential properties have the same millage as industrial properties. To determine what your estimated property taxes will go to the county property tax website and search for the tool that will estimate property taxes.

[Pasco County Tax Appraiser](#)

[Hernando County Tax Appraiser](#)

[Pinellas County Tax Appraiser](#)

[Hillsborough County Tax Appraiser](#)

## Insurance

When you purchase a home in Florida, it is crucial to be fully aware of the risk factors associated with hurricanes and the insurance coverage options available to you. The state's entire coastline is extremely vulnerable to hurricanes, and every region, including

inland areas, can be affected by these devastating storms. Florida experiences 40% of all U.S. hurricanes, and major hurricanes can cause significant damage to homes and infrastructure, with sustained winds of at least 111 mph. Additionally, storm surge, wind damage, and flooding caused by torrential rains are all potential risks associated with hurricanes.

When it comes to insurance coverage, Florida homeowners must obtain protection through a combination of policies that best suit their specific needs. Most homeowners' insurance policies in Florida include some windstorm and hurricane coverage, but those residing in high-risk areas may need additional windstorm insurance or endorsements. Flood insurance is also a non-negotiable, as standard homeowners' insurance does not cover overland flooding. It is crucial to note that Florida law requires insurers to offer hurricane deductible options based on a percentage of the dwelling coverage limit, and the deductible applies only if your home sustains hurricane damage caused by an NHC-named storm. By fully understanding these risk factors and insurance coverage options, Florida homeowners can better prepare and protect their properties against potential hurricane-related damage.

[Why the Cost of Owning a Home in Florida Is Skyrocketing...](#)

## Maintenance

When you purchase a new home, it's important to keep in mind that you're financing everything in it for the term of the loan. However, it's always a good idea to start saving for repairs, maintenance, and replacement as soon as you move in. Depending on the size and amenities of your home, you should aim to save between 1-3% of the home's value annually for these expenses. This includes repairs for the roof, HVAC, appliances, flooring, fixtures, paint, and cosmetic updates.

If you're living in a condo or villa, your maintenance is likely covered, such as lawn care, exterior painting, and roofing. However, it's important to note that as a homeowner, you will still be responsible for paying these fees, so it's always wise to start a repairs and savings account from day one of ownership. While some people may be put off by the monthly fees associated with owning a condo, it's important to remember that all homeowners will need to pay for these expenses in some form, so it's best to plan ahead and be prepared. There is no alternative to having a comprehensive plan.





## How Much Down Payment Do You Need?

### [Mortgage Affordability Calculator](#)

Depending on your credit, debt to income ratio and other factors, you will need from 0% down to 20% down on a purchase. Downpayment does not include closing costs. Many first-time home buyers fall prey to the advertising and marketing of companies trying to get them in their sales funnel. Ads that say, “zero down!” or “3.5% down!” mislead first-time home buyers in not realizing, there are costs associated with buying a home other than the down payment.

## Closing Cost

Closing costs are the fees associated with the purchase of a home. These costs typically include expenses such as loan origination fees, title fees, appraisal fees, and other related expenses. The amount of the closing costs can vary depending on several factors, such as the purchase price of the home, the type of loan, and the location of the property. It is essential to keep in mind that closing costs are in addition to the down payment amount, which is typically required for the purchase of a house. It’s a good idea to factor in these expenses when budgeting for the purchase of a home to ensure that you have a clear understanding of the total cost of the transaction. Some sellers may offer to pay a portion of the closing costs, but this is not always the case. It’s important to work with a knowledgeable real estate agent and/or lender who can help you understand the closing costs associated with your home purchase