



Lori Abbey listed this five-bedroom, four-bath, 3,673 square foot home at 350 South Race Street at \$1,129,000. Its sale is listed as pending. / **Yellow Umbrella Imaging**

## Eight Most Important Things Denver First-Time Home Buyers Need to Know

**MICHAEL ROBERTS** | JUNE 3, 2019 | 6:00AM

For **first-time home buyers**, the process of finding the perfect place, securing the financing needed to make a purchase feasible, and competing against others trying to accomplish the same goal may seem daunting, particularly in a market like Denver's, which has been marked by **sky-high prices** and **bidding wars** in recent years.

Fortunately, the **real estate game in Denver has moderated in recent months**, giving first-timers their best chance in years to find the abode of their dreams. But how do novices get started? And what are the key things they need to know?

To answer those questions, we reached out to **Lori Abbey of Compass**, one of the experts we consulted for our recent post exploring **why houses in Denver sell quickly or take forever**. Below, she shares eight key tips for folks who want to buy but are worried about the process and the expense.

The first one below may be the most surprising of all.

**1. You may qualify for buyer programs that could make a down payment cheap or even free.**

A lot of home buyers have heard they need a 20 percent down payment in order to get into a house. And with the **average cost of a single-family home in metro Denver remaining above \$500,000**, that would require a minimum of \$100K – an amount very few folks in the middle class can swing.

Luckily, Abbey stresses, this supposed requirement is a myth in many, if not most, instances. And in certain circumstances, totally unexpected bargains can be found even in the Mile High City.

"Depending on your income levels and whether it's a one- or two-person household, there are grants available where sometimes you can come to closing with nothing," she reveals. For example, "one recent client actually got \$1,000 back at closing."

How? The client was a teacher who qualified for two grants – one through the **Colorado Housing and Finance Authority** and a second via a separate, national program that specifically targets home buyers from her profession. "She had to bring less to the table because she was a teacher and ended up being able to close *and* get \$1,000 back," Abbey reports. "All of a sudden, she owned a home for the first time in her life – and it's probably worth \$40,000 more now than it was when she bought it."

Teachers aren't the only folks with options like this. Police officers, firefighters, doctors, attorneys or folks who've just graduated are among others named by Abbey, who points out that "there's an additional benefit if a home with a government-backed loan has been foreclosed on. Teachers and officers can buy some of those properties at 50 percent off, and that includes the down payment. There are a multitude of qualifications, but if you meet all of them, it's a pretty fabulous deal."

We've included links and descriptions for four programs recommended by Brent Schneider, an Abbey colleague with expertise in this area, at the bottom of the post.



Lori Abbey listed this four-bedroom, three-bath, 2,297 square foot home at 4420 Lyndenwood Circle in Littleton at \$425,000. A sale is currently pending. / [RE/MAX](#)

## **2. Don't assume a mortgage payment will be a lot higher than your current rent.**

In the [debate about renting versus buying](#), Abbey prefers the latter, unsurprisingly enough. But before folks make that decision for themselves, she advises doing some research.

"I do first-time home buyer seminars, and a lot of people think, 'Home prices are so expensive, and I pay x-amount for rent, so that's going to cost me less,' she says. "But for most people, [Denver's a pretty high-rent place](#), and for many people, their mortgage may only be a little bit more than their rent payment. The differences aren't as big as people think."

In addition, she goes on, "All of the interest on a home is able to be written off. So if you're paying \$2,000 a month for rent but you'd be paying \$2,100 for your mortgage, 90 percent of that might be an interest payment you can write off on your taxes. So you're going to save a big batch of money, especially where interest rates are right now. The costs are very similar to rent, but there are all kinds of other benefits."

### **3. Do the investment math.**

When deciding whether to buy a home, Abbey suggests looking back at recent trends.

"Home values in the Denver market have been increasing," she allows. "They're predicted to increase another 9 percent, but it's been closer to 12 to 15 percent over the past two years. Putting that in terms of dollars – say you're a kid who buys a \$300,000 place this year and gets just a 10 percent equity on his home. It's going to be worth \$330,000 – so the kid has just increased his wealth by \$30,000. You can see how that multiplies over the years."

According to her, "The best way to get \$100,000 over three years in Denver is to purchase a home. It's much easier than trying to save \$100,000. You win with tax benefits and you win by gaining equity, which is the same as net worth."

### **4. Bidding wars aren't what they used to be.**

Abbey acknowledges that bidding wars aren't over in the metro area. However, there tend to be fewer combatants.

"Another misconception is the Denver market is so crazy that people are never going to be able to buy a house without overpaying for it. Everyone's heard stories about putting in fifteen offers and not getting anything. But right now, there's what I would call a slight balancing of the market."

For example, she continues, "I recently put in three offers over five days where I was one of five to seven offers – and we won all three of them. These were all three houses listed at \$395,000, and we got them for between \$403,000 and \$408,000. So they were over list, but not by very much. If they'd been up for sale this time last year, there would have been ten to fifteen offers, so that means your chances of winning have gone up by 50 percent. And they would have sold for more over list – \$410,000 to \$415,000, for sure. The prices are going over by a little less, and there's a little less competition."



Lori Abbey making a deal. / **Courtesy of Lori Abbey**

### **5. Pre-approved beats are qualified.**

In her experience, Abbey has seen that "a clean, well-written offer can beat a higher offer," especially if the buyer is pre-approved, as opposed to pre-qualified.

This [Investopedia guide](#) spells out the differences between the two terms. To get pre-qualified, a buyer has to supply a bank or lender with financial information, including data about debt, income and assets, but it's fairly quick; it can be done by phone or online and is typically free. In contrast, pre-approval requires people to fill out an actual mortgage application, complete with documentation required for the institution to perform an extensive check of their credit rating, among other things. Going through this procedure can cost several hundred bucks, but there are significant benefits: A pre-approved buyer will be given the bank's blessing for a mortgage up to a specified amount and may even be able to lock in the interest rate.

"If you get pre-approved, you've already made it through underwriting," Abbey says, "so your offer is almost as strong as a cash offer, and you can close in ten days."

For sellers sitting on a vacant house, "pre-approval gives you a huge advantage over pre-qualification," she stresses. "You close two to four weeks sooner, and the sellers have a comfort level, because the bank has already said you're good for the money."

## **6. Fix your own leaky faucets.**

Sellers also gravitate toward buyers who offer to operate on a tight deadline, Abbey reveals. For instance, "If you can get the inspection done in the first week, they won't have to wait two weeks to see if you're going to buy the house."

Buyers can also set themselves apart from other bidders by offering to put limits on concerns found in the inspection. "You can put in the provisions of the offer that we'll do an inspection but we'll only ask for health and safety items, or ones that are costly – \$1,000 or more per occurrence. Don't ask for a leaky faucet to be fixed. If the sewer line or the roof are in bad shape, we'll ask for that. But if the seller knows you're not going to nitpick on a lot of little things, they may take your offer over another one – maybe even a higher one."

### **7. Set some extra cash aside.**

The appraisal of a home is important, especially in Denver, for reasons Abbey explains: "Let's say we offer \$405,000 on a house, but it's appraised at \$400,000. That means the buyer needs to contribute an additional \$5,000."

Buyers who plan for this prospect and set aside extra money just in case won't be knocked off-kilter if it happens, she divulges – "and if it's appraised for \$402,000, you're still covering some of that gap, and the sellers don't have to renegotiate all of that price later."

Making it clear in advance that this money is available "gives the seller comfort your loan is going to close," she says, "because you've taken care of everything to make sure it will."





Lori Abbey lists this four-bedroom, one-and-a-half bath, 2,113-square-foot home at 1485 South Grape Street in Denver at \$469,000. / **Yellow Umbrella Imaging**

## **8. Start early.**

At times, the journey from deciding to buy a house to completing a purchase can take only a few weeks. But, Abbey says, "My dream is for people to start the process a year early, if possible."

Why? "If you do it that way, you'll be able to see if there's anything in your credit that needs to be fixed – and there are lenders who can tweak a few things. People think, 'My credit isn't perfect, so I can't get a house.' But a lot of these lenders have credit repair within their company. They can look at your package and say, 'If you change these three things, we can get you pre-qualified right now.' Maybe it's doing a paid credit restoration or paying off something over the next six months. They can really guide you."

In the meantime, she suggests, "Think about where you want to live and how much you want to pay. Say you want to live in Congress Park and you want to pay between \$400,000 and \$600,000. We can set up a search for you that includes Congress Park and neighborhoods that border it in your price range. That way, you can start watching the market and see what you can get in that range and how quickly the properties sell. That way, you're really educated, so when you're ready to really start looking the next year, you know what you want. And when people have done that, I've seen times where they'll close in two or three days. Then, all the planning is worth it."

*Here are four programs that offer grants that may be of interest to first-time home buyers.*

### ***Colorado Housing and Finance Authority***

CHFA offers down-payment assistance options, including up to 3 percent of a total first mortgage loan amount that can be used for down payment, closing costs and/or other prepaid expenses – and it doesn't have to be repaid.

### ***Colorado Housing Assistance Corporation***

CHAC provides what it describes as "low interest, flexible loans to low and moderate income first-time home buyers for down payment and closing cost assistance throughout Colorado. The loan is recorded as a second mortgage (lien) on the property being purchased." This loan does have to be repaid, usually by way of monthly payments, though the start date may vary. Borrowers must also attend an approved first-time home buyer class, and other restrictions apply.

### ***Homes for Heroes***

This program is described as "the largest nationwide network of affiliate real estate, mortgage, and local business specialists; committed to providing easy ways for heroes to save on a home. Shortly after 9/11, Homes for Heroes, Inc. was established to give back to firefighters, EMS, law enforcement, military (active, reserves & veterans), health-care professionals and teachers for all they do."

### ***U.S. Department of Housing and Urban Development***

A series of programs throughout Colorado offer home-ownership assistance under the auspices of this federal agency. County and statewide programs can be accessed via the link above, and the following city offerings are also available.

Aurora: [Home Ownership Assistance Program](#)

Boulder: [Homeownership Programs](#)

Commerce City: [Commerce City Housing Authority](#)

Denver: [Del Norte's Homeownership Program](#)

Denver: [NEWSED Community Development Corporation](#)

Fort Collins: [Home Buyer Assistance Program](#)

Greeley: High Plains Housing Development Corp. at 970-346-7660, ext. 6540

Longmont: [Down Payment Assistance Program](#)

Loveland: [Larimer Home Ownership Program](#)

Pueblo: [Housing Department](#)

Wheat Ridge: [WRHA Home Ownership Program](#)

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