



Tips for a First-Time Home Buyer

Dear Dave,
I'm 20 years old, and I'm planning to buy a home in the next year. Besides having a 20% down payment, what other tips do you have for a first-time home buyer? Also, is there anything I need to guard against when it comes to buying a house?

Jacob

Dear Jacob,
I'm glad you're planning on making a down payment of at least 20%. That's a smart move, because it'll help you avoid the added expense of private mortgage insurance (PMI). Also, remember to get a 15-year fixed-rate mortgage loan, one where your payments are no more than 25% of your monthly take-home pay.

Now, the next pieces of advice are for you, Jacob, and anyone else who's planning to buy real estate. Always get title insurance. Always! If you're buying a piece of property that's not a traditional subdivision-type lot, have a survey done. This isn't as much of a worry with a standard subdivision lot, something that's pre-platted and has changed hands three or four times. But you don't want to buy a piece of land under the impression that it's 3 acres and then find out the hard way it's only 2.25 acres. Get a home inspection too. Unless you happen to be an electrician, contractor or something like that, you're probably not an expert on things relating to home construction.

This last piece of advice may sound funny, but don't buy a house with a great, low price if it looks ugly from the street. I did that with the very first house I bought, and it's a bad idea. No matter what you think, when it comes to houses, you can't fix ugly. You can change out carpet, and you can put up new shutters or gutters and stuff like that.

Those things aren't a ton of work. But there's a reason you can get a screaming deal on an ugly house—it's ugly. And the guy you sell it to down the road is going to get a great deal on the house. Why? Because it's just an ugly house.

If you're not careful, you can get a little too excited on your first home purchase. So stay smart, look at everything involved, and don't let a case of house fever push you into a big, expensive mistake!

— Dave

This Guy Has Potential!

Dear Dave,
This's great to hear. Believe me, I know the feeling when you look at room-

ful of people and realize you've built a really good team. I'm excited for you!

One of the first things I'd do is talk to some other owners of landscaping companies outside your area that are about your company's size and pick their brains as to how they're structured. Let them know you're thinking about hiring your first salesman, and find out how they pay their team and if it's working well for everyone.

What we're talking about here is called best practices in business. Find something that works for someone else in your industry and apply it to your specific situation. Think about it this way: If you wanted to lose weight, you'd begin by doing what people who have shed some pounds are doing, right? You want to emulate behavior that's been proven to generate positive results.

I'd also advise you to make sure the person you're talking about is on board with the idea and that he understands that any compensation agreement you initiate in the beginning will be implemented on a trial basis for a specified length of time. You're venturing into uncharted territory here, Dan, so come up with a temporary compensation plan that's satisfying to you both at the onset. Then, have an agreement to revisit the plan in 90 days, six months or even a year down the road. There may be a little bit of give and take involved, and it'll take some time, but at the end of the day, you've both got to be okay with the upside and downside of the scale and the results.

You'll both be really happy if he's busting it and making himself and the company successful. But as a business owner, you'll want him to feel a little pressure if he's not producing—for himself and for you!

— Dave

A Church Car? You've Got to Be Kidding!

Dear Dave,

My mom took out a Parent PLUS loan in 2009 to help pay for my college education. I also took out \$70,000 in student loans myself. My mom never made a payment on the loan she took out for me, and now the amount due on the Parent PLUS loan has ballooned to \$100,000. She recently told me in her mind it was my loan in her name, and I should be the one to make the payments after I became financially stable. Thankfully I just got a new job making \$140,000 a year. With this I can finally make a dent in my own loans, but

she asks me every week if I'm going to pay the Parent PLUS loan. My mom is a nurse practitioner, so she makes good money, but she recently financed two new luxury cars within 24 hours of each other—one for work and one for church. She also has loans out from borrowing on her 401(k) and credit card debt. Should I take over the Parent PLUS loan under my name?

Tommy

Dear Tommy,

Wait, are you serious? Your mom has a church car? I've never heard of such a thing. But hey, I'm going to talk to my wife about this. I knew I needed another car, I just didn't know I needed a church car. Oh, my goodness!

Ok, here's the deal. If you had an agreement with your mom, or promised at any time to pay back the Parent PLUS Loan when you were able, you should cover it. But that's not what you told me. It sounds like your mom has a good heart and was just trying to help, but she did it in a dumb way. From what you told me, she's done a lot of dumb things with money.

Under no circumstances do you take the loan back under your name. In fact, I'm not certain you can even do that with a Parent PLUS Loan. You need to get your debt cleaned up first before trying to help her. If you choose to be a bigger help after that, you need to start things by having a serious conversation with your mom. She needs to hear that she's being absolutely silly with her money. Let her know you're willing to help because the loan was for your benefit. But make sure she understands you won't pay it all, and you won't do it while she's making two luxury car payments—including one on a church car. That's ridiculous.

Offer to be her biggest cheerleader, and help her find a good financial coach—someone with the heart of a teacher. You might want to let her know you'll match whatever she pays toward the loan, so it'll feel like a team effort. But also make sure she understands if she pays nothing in any given month, you'll match that, too.

Good luck, Tommy!

— Dave

Dave Ramsey is a seven-time #1 national best-selling author, personal finance expert, and host of The Ramsey Show, heard by more than 16 million listeners each week. He has appeared on Good Morning America, CBS This Morning, Today Show, Fox News, CNN, Fox Business, and many more. Since 1992, Dave has helped people regain control of their money, build wealth and enhance their lives. He also serves as CEO for Ramsey Solutions.

FOUR-LEGGED RACE

By Jerry Berns



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