

Your First Step When Buying a Home

Buying a home is exciting. It's also a huge investment and can be very stressful. Like everything in life, there is a process to buying a home. Following these steps before you begin your house hunt will help you breeze through the process and make buying your new home a pleasurable experience.



Live by the Boy Scout motto "Be Prepared"

Check your credit report. When you first start thinking of buying a home, your first task is to check your FULL credit report. Look for inaccuracies, items that are dragging your credit down and any other little blips. Fix the errors and work at improving the areas that are damaging your credit. The higher your credit score, the better interest rate a bank will give you plus more types of loans will be available to you.

Be aware of your debt to income ratio. The type of loan you get will depend on this ratio. If your debt to income is too high, obtaining a home loan will become difficult. It's not just your credit score that is important

Get your paperwork together. Pull together four years of tax returns, a year's worth of bank statements, two months of pay check stubs and put together a list of credit cards, car loans and any other loans you have, plus their account numbers and balances. Your lender will give you a full list of items that they will need, but this is a good start.

Shop for a lender. The term "shop local" applies to home loans as well. The online, national lenders may sound appealing because it's all done from the comfort of your couch but ask any Realtor and they will tell you that online lenders will close fewer loans and the process is usually more difficult. Local lenders will help clean up any remaining glitches that they find in your credit report. They will constantly watch interest rates to try and lock you in at a lower rate. They will work extra hard to make home ownership happen for you. Talk to at least three lenders to find out what type of loan might be available to you, how much of a down payment you will need, what fees are involved and how much time they need to close a loan. All of this can be discussed before they pull your credit; after all, you already know your credit score.

There are two advantages with talking to a lender now, before you start your home search. The first advantage is setting a budget. You may THINK that you can afford a \$350,000 home but in reality, once all the interest, escrows and other fees are added in your budget may only handle a \$300,000 home. Not only will you have wasted your time looking at homes that are just out of your reach, but you may now have your heart set on a home that you suddenly find is out of your budget. This is supposed to be a fun experience. Don't get disappointed before you even start. The second advantage to talking with a lender now is.....

Get pre-approved by a lender of your choice. This is a very important step. If you find the home of your dreams, your bargaining power is much lower without a pre-qualification letter. Most sellers won't even consider an offer that doesn't come with a pre-qualification letter. A pre-qualification letter makes you look more serious about home buying. It shows Sellers and Realtors that you have done your homework and that you are ready to buy.

Do your
research
and know your
options

***The next step – find a Realtor and start house shopping!
Enjoy the process!***

