

10 Best Kept Buying Secrets

Ten tips you need to know before beginning a home search and applying for a mortgage.

1. **BEFORE looking at houses, meet with a mortgage officer.** This process will help you determine how much house you can afford along with any challenges that need to be addressed before moving forward. Some sellers may require buyers to be prequalified, which can give you a stronger position when negotiating an offer.
2. **Shop around to get an idea of mortgage deals available.** All loan offers are not the same, so it makes sense to compare. Make sure you're comparing apples to apples since some lenders may have you pay more upfront (in the form of points) to get a lower interest rate. If a lender offers you "no closing costs", be sure to find out where you're charged extra to compensate.
3. **Pay off as much debt as possible.** This can include student & car loans, along with credit card debt. Less debt can mean a lower debt-to-income ratio, which is what lenders are looking for.
4. **An Alternative: Consider consolidating or refinancing student loans.** Investigate ways to stretch out your payments and lower your payments to allow for the purchase of a home sooner.
5. **Be prepared to show a solid work history.** Not always, but often you'll need to have had the job for two years in order to qualify for a mortgage. The same for part-time jobs on the side; however using the money to pay down debt or adding to cash reserves can be helpful in moving toward homeownership.
6. **Be ready to document everything.** Tax returns, bank statements, brokerage statements & documents will all be needed to verify money you plan to use along with verifying employment and income. Submit documentation quickly to help keep the process moving!
7. **DON'T buy anything on credit or apply for credit if your mortgage application has been started.** You don't want to take a chance on jeopardizing the deal by negatively affecting your credit profile. Some experts even recommend not moving money around during this time.
8. **Be sure you have enough cash to cover all your costs.** Beyond closing costs, you may be responsible for expenses such as a home inspection, appraisal, survey, and transfer taxes. PLUS, often you are required to have up to a year's worth of homeowner's insurance premium in escrow.
9. **If you're self-employed, be prepared to jump through more hoops!** Expect to be in business for yourself for at least two years in order to qualify for a mortgage. (An exception might be a doctor leaving a staff position to start a private practice.) Most self-employed professionals write off a significant amount as expenses on their taxes, which make their adjusted gross income much lower than their actual income. The lower number is what a lender will consider as income.

10. **Certain houses may need to be qualified for specific types of lenders.** For example, FHA mortgages require a house to meet certain standards, while conventional mortgages may have different standards. Another consideration is that often the house has to be insurable.

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