



## **Stop Paying Rent Forever! Six Helpful Tips To Help Save First-time Home-buyers Money... And Anxiety!**

With interest rates hovering around their thirty year lows, a multitude of flexible and low cost loan programs are available as well as a wide variety of assistance programs that can help virtually anybody experience the joy of home-ownership. In short, the economic environment simply couldn't be better to buy your first home.

However, if you have always been a renter than you probably aren't as well informed of the intimate processes of obtaining a home mortgage, as you'd like to be. To guide you through this exciting but often confusing time, this report details six tips that will help make your purchase a much smoother experience, save you money and eliminate your anxieties.

### **1) Get Pre-qualified Before Starting Your Search**

Before you begin your home search, before you make one single decision regarding a home purchase, get pre-qualified by a mortgage professional. Pre-qualification is free and will give you a definite advantage in the buying process.

During the evaluation stage, it will clarify your financial situation, indicating how much home you can afford. This may influence your decision for location, narrowing your search. You'll also know exactly how much home you can afford, further clarifying your search.

Pre-qualification will also give you a step up on your competition. Home-buyers that are pre-qualified have increased leverage with Realtors and sellers over buyers who are not. Essentially a pre-qualified buyer becomes a "cash" buyer.

### **2) Shop Around For A Mortgage Professional**

Like most industries, the quality of mortgage professionals can and does vary significantly. With the advancements in lending practices, consolidation between companies and aggressive start-ups there is significant awareness of the value of your business. So don't immediately settle on the first lender you talk to. Shop your mortgage around to at least three lenders until you find one that you completely and unconditionally trust.

While rates are certainly one of the most significant factors in choosing a lender, compare closing costs, are their "points" involved or not (which is the percentage of the mortgage that the originator takes as commission) and how long is your pre-qualification good for. Traditionally, to get a prime rate you had to pay "points" at the closing, but this isn't true anymore. Also, the pre-qualification should be good for at least three months and up to six months. In the past, some lenders only approved you for one month.

### **3) Don't Become Fixated On The Interest Rate Alone!**

Be careful! The lowest interest rate does not always translate to the best deal. Look at the loan programs that are being offered, not just the rate. There are several factors that have to be taken into account when evaluating programs – the loan type (fixed or adjustable), the loan term (15 year or 30 year), the rate and the down payment requirement.

Adjustable Rate Mortgage's (ARM's) are typically very low at the beginning but can escalate quickly. These are good for short-term purchases, but long-term mortgage



## **Stop Paying Rent Forever! Six Helpful Tips To Help Save First-time Home-buyers Money... And Anxiety!**

holders are typically better off with a fixed rate.

If you can afford it, you may consider a fifteen-year mortgage. Typically the monthly payments are only 20% higher, and you cut off half the duration of your loan. Additionally, your credit will play a big part in what program will be offered to you. "A" paper, lender lingo for an applicant who has perfect credit may find a 6.5% rate with only 10% down. But if you have some credit history problems, sometimes referred to as "B" or "C" paper, you may find that to receive the prime rate you need 20% down. So shop around!

### **4) Clean Up Your Credit**

By getting pre-qualified, you will be made aware of any potential credit problems in your credit history. Don't despair if the credit report is not stellar. Even if an incident cannot be taken off the report, by knowing the background of your financial history your lender may be able to put your financial situation in a better light when submitting the actual loan application.

Review your credit report carefully. It is very common for non-payments to be listed that are not even yours. Your mortgage professional will help you address problems showing up on the credit report. Many times, a simple letter to the creditor explaining the circumstances at the time of the incident will rectify the situation. However this may take a few months, so start early.

### **5) Get A Realtor**

As a first time home-buyer, the biggest mistake you can make is believing that you can save money if you do not use a Realtor ®. Although the seller pays the

commissions, some listing agents will tell you they can represent both you and the seller fairly. While in some cases this may certainly be true, it's better to be safe than sorry. Get a real estate agent that represents your interests solely. A buyer agent will make sure the home is inspected properly, do diligence on any hidden discovery and more times than not the money they save you on negotiating the price of your new home will more than offset any reduction in price due to the commissions not being paid by the seller.

### **6) What Do You Want In A Home?**

There will be many decisions as you start this process. Your Realtor will take you to several different homes, some you will like, some you won't but most will land somewhere in between.

"You love this home except it doesn't have..." or "That home would be perfect if it only had..." will be common phrases during this process.

Decide now what features you feel are "necessities" in a home and which features are items that would be "nice to have". This list will no doubt change the farther along you go but the list will be extremely useful as you begin to look at homes. It will also be useful to the Realtor so he can better qualify the homes that he shows you.