

Four Common Mortgage Mistakes



It's no secret: looking for your dream home is a lot more fun than applying for a mortgage. **The thing is, unless your mortgage is firmly squared away before you start house hunting, you may not get the house you want.** You won't know exactly what you can afford, and you won't be competitive with other prospective buyers who can close the deal quickly.

These mistakes don't just cost you money and make it harder to get the right mortgage for you. They can also make the process take a whole lot longer, which can cost you the house that you want.

People often make these mistakes because they don't understand the loan process. It's not something that they've done before and it seems prohibitively complicated. Fortunately, it doesn't take much reading to get up to speed.

Mistake #1: Not being on top of your finances ahead of time.

Long before you even think about buying a house or getting a mortgage, **make sure that your finances in order.** Here are a few things that you should do now:

- Do a **credit check** on yourself at least six months in advance. This will give you time to tend to any problems that show up and hopefully fix your score. A lower score means a higher **interest rate**. If you don't have a ballpark idea of your interest rate, you won't know what you can afford.
- Don't make any large purchases (like a car or a boat) or switch jobs before your loan is funded. These kinds of activities can lower your debt-to-lending ratio and make it harder to get a larger loan.
- Always pay your bills on time. Late payments can hurt your rating.
- Let your loan officer know about any past financial difficulty. If they know about your situation ahead of time, they can likely help you to work around it.

Mistake #2: Not getting pre-approved for a mortgage before looking for a house.

Getting pre-approved for a mortgage not only gives you a better idea of what you can actually afford, but it puts you in much better competition for getting the home that you want.

Getting pre-approved means that you have already chosen a lender, filled out the paperwork, submitted it, and have received a pre-approval certificate. For the seller, it means that you should be able to close quickly on a home and that might make you a better match for them.

Take note: getting pre-qualified is not the same thing as getting pre-approved. Getting pre-qualified means that the lender has informally reviewed your assets, funds, and debts to find out the range of mortgages you **might** qualify for. There is no formal commitment from the lender for the loan.

Mistake #3: Not factoring in expenses beyond your mortgage payments.

When you are figuring out your monthly expenses, your mortgage payment isn't everything. It's easy to end up with a mortgage that you can't afford if you don't factor in property taxes, homeowners insurance, potential higher utilities, maintenance, and repairs. **A smart idea is to limit you total payments to something reasonable like 25%.**

Mistake #4: Not factoring in closing costs and down payment.

When you close on your loan, you should have enough money on hand to cover down payment and closing fees. A down payment can total as much as 3.5% to 20% of the sales price and depends on the type of loan you qualify for.

Closing cost can total as much as to 2% to 7% of the purchase price of the house. These costs include expenses for things like attorney's fees, property taxes, title, insurance, interest adjustments, appraisal fees, and home inspections.

To get an idea what these fees will be, make sure to get a **Good Faith Estimate** from the lender during the preapproval process.

They should be able to provide this to you within three to seven business days of applying for the loan. You should also have money on hand for after the sale to take care of unexpected moving expenses or emergency home repairs like a broken water heater.

Planning ahead and educating yourself on the loan process can help you to avoid common pitfalls.

Article Source: MortgageLoan.com written by J.R. Hevron

*****NOTE: PreApproval is required before viewing properties*****