

Nice Guys Work Hard

HOME FINDER NEWSLETTER



Here's Why You Shouldn't Buy A Car Right Before You Buy A House...

When an individual's income starts growing and they manage to set aside some savings, they commonly experience what may be considered an innate instinct of modern civilized mankind.

The desire to spend money.

Since North Americans have a special love affair with the automobile, this becomes a high-priority item on the shopping list. Later, other things will be added and one of those will probably be a house. However, by the time home ownership has become more than a distant and hopeful dream, you may have already bought the car.

It happens all the time, sometimes just before you contact a Lender to get pre-qualified for a mortgage.

As part of the interview, you may tell the loan officer your price target.

Eight Steps To Follow When Buying A Home



1. Decide to buy a home.

That sounds reasonable, doesn't it? Yet, so many of us are really "just looking" rather than seriously considering changing the location of our home. Why is it that you want to find a new home? Has your lifestyle changed enough to warrant this type of investment? Until you identify your NEEDS and your WANTS, you'll find it very hard to find just the right home for you.

2. Find a great real estate consultant.

Once you've decided to buy a home, find a great real estate consultant. What you're looking for is a Buyer's Agent. This means that the consultant represents YOU as the buyer, rather than the person selling the home. They will have YOUR best interests at heart. Really good consultants know their markets, and will help you find the best

match for your needs and wants. They can also recommend mortgage brokers with whom they've worked in the past.

3. Secure financing.

If possible, get "pre-approved" for a loan in the amount you're willing to borrow. With this pre-approval, you're in a stronger position to buy a home when you're ready – rather than finding your dream home, only to lose it to another buyer, because you were waiting on the approval.

4. Find your dream home.

Now that you have your "wish list," your consultant, and your "pre-approval" in hand, go forth and find yourself a home.

As you go through homes, make sure to keep the listing notes of your

He will ask about your income, your savings and your debts, then give you his opinion. "If only you didn't have this car payment," he might begin, "you would certainly qualify for a home loan to buy that house." You see, when determining your ability to qualify for a mortgage, a Lender looks at what's called your "debt-to-income" ratio.

What are debt-to-income ratios?

A debt-to-income ratio is the percentage of your gross monthly income (before taxes) that you spend on debt. This will include your monthly housing costs – including principal, interest, taxes, insurance, and homeowner's association fees, if any. It will also include your monthly consumer debt, including credit cards, student loans, installment debt, and....
CAR PAYMENTS!

How a New Car Payment Reduces Your Purchase Price

Suppose you earn \$5,000 a month and you have a car payment of \$400. At current interest rates (approximately 8% on a 30-year fixed-rate loan), you would qualify for approximately \$55,000 less than if you did not have the car payment. Even if you feel you can afford the car payment, mortgage companies approve your mortgage based on their guidelines, not yours.

If you haven't already bought a car, remember one thing: Think ahead. Think about buying a home first. Buying a home is a much more important purchase when considering your future financial well-being.

impressions of the house, and a photo (if possible) in a notebook, so you can remember all the homes you've seen.

5. Make a written offer and negotiate the price.

Once you find your home, work through your consultant to make an offer. Typically your first offer is going to be lower than the listing price. Listen to your consultant; they're representing you and know what homes have sold for in that neighborhood. Rarely will the seller accept this first offer, so they'll counter with another price. Back and forth you'll go until you settle on a price. (This is where the consultant is really using their expertise).

6. Open an escrow account.

Once you and the seller have agreed on a price through

your consultant, you'll open an escrow account. What this does is put a "good faith deposit" in a third party's hands, to demonstrate that you're serious about buying this home. Many buyers offer five to 10% of the selling price of the home.

7. Have an inspection.

The home inspection is to protect you from buying a home that may have serious hidden structural problems or defects.

8. Sign the final documents, get the key and move into your new home.

Finally! The home has been inspected, you've cleared the title to the property, and you've "closed" on the deal. All you have to do now is move in. Don't forget to put out the welcome mat!

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