

MORTGAGE advisor™

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Journey to a New Home

8 Financial Pitfalls To Avoid

by Dave Muti

If you are embarking on the adventure of buying a home in the coming months you will be faced with a myriad of decisions. While the loan approval journey can be a wild ride, the following 8 tips could be the lifeline that carries you to the magical world of homeownership.

1. Prepare for the Worst

The day that you think you might want to buy a house, you should contact your Mortgage Planner to have them review your credit. You don't want to be caught off guard with a below-average credit report since better credit equals more options for structuring a mortgage that gets you where you want to go at the end of your financial journey. By reviewing your credit months in advance,

2. Stay Low

Today it is easier than ever to make purchases with your credit cards. This is usually done out of necessity and convenience in our quest to keep up with the Joneses when you don't have the cash to pay in full. If you are contemplating purchasing a new home within the next few months, try to avoid any items that you will not be able to pay off in full when the statement arrives. While this is always the ideal way to pay for things, keeping your credit card balances low is even more important once you begin to search for a new home.

3. Say No to New Auto Expenses

The advice above holds true for car leases and loans. Try not to make any new purchases or upgrades until after you close on your new home. If you have to finance a new car because your current lease is due to expire, consult with your Mortgage Planner before incurring this new loan as it could knock your debt-to-income ratios off balance. This is not a good thing.

4. Maintain Reserves

This is a big issue that has become even more important as lending requirements have gotten tougher over the past year. You want to build your reserves (aka savings and investments) to have at least three months of your total expenses and preferably six months of expenses AFTER your down payment and all of your closing costs are paid. Having less than this could cause lenders to deny your loan. Low reserves could also put you in a shaky situation should you lose your job or become disabled.

5. Stay Put

The myriad of bank and investment options make it tempting to juggle accounts, but here again you should

you will have time to repair any issues before you actually have to apply for a loan.



wait until after you close on your new house. Lenders like to see a history of at least two months worth of bank statements. If you move money around, underwriters could have a tough time tracking it and you don't want to raise any undo scrutiny. If you absolutely must change banks before a closing, then ensure that you make copies of all checks and deposit slips in order to trace and source the funds.

6 Work Steady

Lenders like to see a steady employment history. If you are going to change jobs before you buy your next home, ensure that it is a move up

7. Start Early

Like everything else in life, if you wait until the last minute to apply for a mortgage, you will not give yourself enough time to research and ensure that you get the best program for your family. When purchasing a home, you should start the process with your Mortgage Planner — not the real estate agent. After you and your Mortgage Planner have analyzed your goals, dreams and finances, you then enlist an agent with a mortgage plan in hand. This will simplify your search and put you in a better bargaining position when you find that perfect home. Your realtor will appreciate this; she will know that you are qualified to be looking at the price point you requested.

will have to rent for a while if you don't have a house lined up, but that is much better than losing one or both in foreclosure because you could not afford to make the mortgage payments. That is a larger than life adventure no one wants to live as the resulting bad credit will haunt you for years.

There you go, eight tips to smooth your journey to buying a new home without feeling like you have gone to the center of the earth and back. The trick is to slow down and analyze what you are doing. If you are just beginning to think about buying a new home or refinancing your current mortgage,



“Start the process early with your Mortgage Planner.”

in pay and/or responsibility. Lateral moves are okay but they should be in the same industry. If you are going to be making a move, please advise your Mortgage Planner about this during your first meeting or as soon as you begin to contemplate the change so she can plan accordingly and help direct the information to the underwriter.

8 Don't Straddle Two Houses

This is becoming a big downfall for many people across the country as they bought their new home thinking they would sell their current home before payments start on the new home. The problem for most is that they do not have the cash to carry two homes. My advice is to sell your existing one first. Now this may mean that you

pick up the phone and call your Mortgage Planner today. ■

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To arrange a mortgage planning consultation on strategies discussed in this article, please give me a call.