

Five Smart Tips for Home Buyers!

These five tips can save you time and money when you're buying a home.

1) Get pre-approved for a mortgage *before* you make an offer.

When you are trying to buy a house in a competitive market, your offer to purchase should contain as few conditions as possible. An offer that is conditional on obtaining financing is often a deal killer. The seller may accept a competing offer for less money rather than take the risk that you won't be able to qualify for your mortgage. A pre-approval letter from your lender tells the seller you are ready and *able* to commit.

2) Know when to quit.

When you act on emotion, rather than reason, you may end up paying too much money. This can happen when you fall in love with a particular house and start fantasizing about how great it will be to live there. Another reason you may be driven to pay too much is that a bidding war triggers your competitive instincts and you must buy the house at all costs — which you will probably regret later.

3) Set enough money aside to cover closing costs without having to forgo eating for a couple of months.

You've put together a down payment. Now be aware that there

may also be a long list of expenses you may have to pay at closing, depending on where you live and other factors. Closing costs can add up to between two and six percent of your loan, so be sure to ask your lender to give you a Good Faith Estimate of the loan-related fees you'll have to pay. Also, ask your real estate agent to compile a list of other potential expenses.

4) Try to coordinate the date you take possession of your new home and your moving date.

If possible, avoid a situation where you've got to camp out with relatives or find a short-term rental because you must vacate your old house or apartment *before* you can move into your new digs. Moving once is enough.

5) Always insist on a home inspection.

The first really cold day you spend in your new house is way too late to find out that the furnace doesn't work. The one condition you should always include in an offer to purchase is a home inspection. Find out how much it will cost to fix any defects and have the seller fix them *before* you agree to buy or deduct the estimated cost from the final price you offer. If the seller won't help bear the costs, and you want to go ahead with the purchase, make sure you can afford the necessary repairs on top of your mortgage.



Start Paying Down Your Credit Card Debt Today!

Almost nothing racks up a chunk of lingering "bad debt" like a credit card. Yes, that unassuming piece of plastic can fulfill your fondest dreams — and then turn them into nightmares.

Not all use of credit cards is bad. But if you're not keeping up with bills, here's how to get your cards in order and out of your life or at least in control:

1. Stop using them. Take them out of your wallet or purse and put them in a safe place.
2. Work on paying off your total balance as quickly as possible.

How to pay down your credit cards

The best way to reduce credit card debt is to pay more than the minimum. But don't just start randomly paying an extra \$10 on one card, then on another, then another. Be organized about it.

Write down the interest rate, balance, and minimum payment for each card. Arrange this information according to the interest rate — highest to lowest.

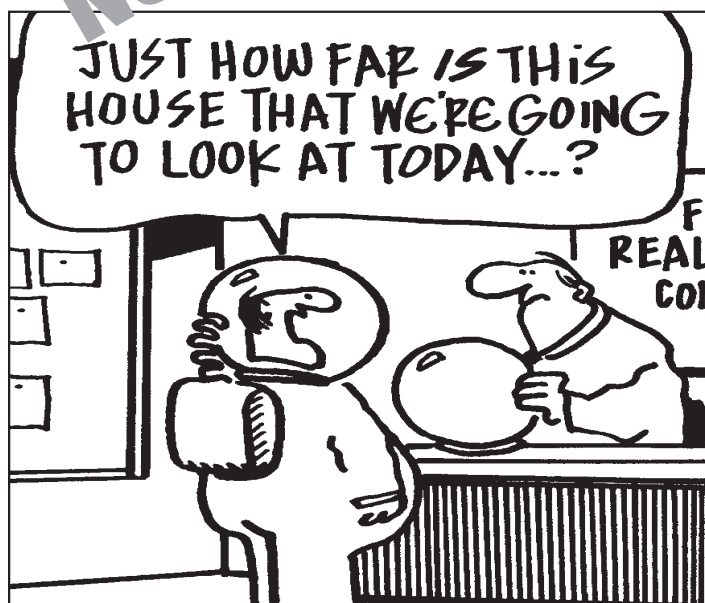
Each month, continue to pay the minimum for each card except the one with the highest interest rate. For that one, pay the minimum plus an extra \$100 (or whatever extra you can reasonably afford — be honest). Pay this new amount each month. Paying more than the minimum will wipe out the balance faster than simply paying the minimum. Repeat until the balance is gone.

Now get to work on the card with the second-highest interest rate. Add the amount you used to pay for the first card to the minimum payment of the second card, and make that the new monthly payment amount. Continue this process until all your cards are paid off. Honestly, it might take a few years. But it'll take much longer if you pay only the minimum for each card every month.

Feel the relief

When credit cards are no longer putting a strain on your finances, you'll be able to save money, happily answer the phone (assuming debt collectors have been pestering you), and even pay for things *with cash!*

Plus you'll know right away what you can afford and what you can't. If you can't afford something because you don't have the cash, save awhile, and you'll have what you need before you know it.



Should You Refinance Your Mortgage?

The average U.S. homeowner refinances his or her mortgage every four years. Sometimes it's to take advantage of lower interest rates, but there are many other reasons to refinance. Are any of them right for you? Find out by seeing if you can answer "yes" to one or more of the following questions.

Are interest rates rising?

If you have an adjustable-rate mortgage (ARM) and expect interest rates to rise, you may want to switch to a fixed-rate loan. By locking in the interest rate, you won't have to worry about your payments climbing in the future. On the other hand, if rates are rising and you have a fixed-rate mortgage, you're in good shape. You may still have other reasons to refinance, but obtaining a lower rate probably isn't one of them.

Is your monthly payment straining your budget?

You may want to consider refinancing to lower your monthly payment. Even if rates are the same as when you obtained your current mortgage, you may want to refinance to extend the term of your loan if you're having difficulty meeting your monthly payments. For example, assume you have a \$200,000 mortgage at 6 percent for 30 years and have been paying \$1,200 a month for seven years. Refinancing to a new 30-year loan at the same rate would lower your monthly payment to \$1,075.

Is your ARM causing stress?

Perhaps you were attracted to an adjustable-rate mortgage because the initial rate and payments were lower than a fixed-rate loan. However, many ARMs are adjusted annually. That means if interest rates go up, so too will your monthly payments. If you aren't comfortable with this variance and would prefer the peace of mind of a consistent payment, consider refinancing to a fixed-rate loan or to another ARM with more favorable rate caps (limits on how much the interest rate can increase).

Has your credit rating improved?

When you applied for your mortgage, perhaps you had little credit history or maybe even a blemish or two on your borrowing record. Your credit score was a big factor when your lender determined the interest rate on your mortgage. If you had a low or mediocre score that has since improved, you may now be eligible for a better rate if you refinance.

From the Inside:

"What Is Involved With Qualifying for a Home Loan?"

Qualifying for a home loan is the most important first step in buying a home. Understanding that process can help ensure that you are able to qualify for the home loan that you need in order to buy the home you desire.

Lenders look at two things when determining if you are able to qualify for a home loan: your *ability* to repay the loan and your *willingness* to repay it.

Your Ability to Repay

The first thing that a lender wants to know is if you are able to repay the loan for which you are applying. The lender looks at your current employment. Have you been in the same job for at least two years or at least the same line of work for a few years? This shows the lender that you have steady employment, and it's a great plus in qualifying for a home loan.

The lender also looks at your total income and compares it to your debts, adding in your proposed monthly mortgage payment. You must have sufficient income to comfortably make these payments. This reflects your ability to repay the loan when qualifying for a home loan. If the lender believes your debt load is too high, you will qualify for a smaller loan and likely be charged a higher mortgage interest rate. Therefore, it makes sense to

Do you need to consolidate debt?

If you have built up considerable equity in your home, but you're mired in other debt, consider cash-out refinancing. That involves getting a new mortgage for a larger amount than you currently owe. For example, if your home is worth \$285,000 and your outstanding principal is currently at \$185,000, you have \$100,000 in equity. By refinancing to a new mortgage with a principal of \$215,000, you can, for example, free up \$30,000 to pay down high-interest credit cards or other debts. You'll save money if your new mortgage has a lower rate than the other loans, and you'll have the added convenience of only having to make a single monthly payment.



Do you need money for a major expense?

Cash-out refinancing isn't just for consolidating debt. If you have available equity in your home, it may enable you to undertake some major home improvements, or to free up money for your children's education. If you do plan on taking cash-out, it's important to be realistic about your future goals. Remember that taking cash out will increase the principal you owe on your home. This may impact you when you go to sell your home.

Remember, refinancing doesn't come without a price: closing costs may eat into your savings at first, so the longer you plan to stay in your home, the more you'll benefit from refinancing.

But before you consider refinancing, feel free to contact our office. We can help determine your break-even point and help you decide if refinancing is something you should seriously consider doing in the near future.

Contact our office today! We can help.

pay off as much debt as possible before applying for a home loan.

Your Willingness to Repay

The next step in qualifying for a home loan is determining your willingness to repay the loan. Lenders determine this by looking at how you have paid off debt in the past, and it is one reason why lenders check your credit report. If you have faithfully made on-time payments toward your past debts, it helps you when qualifying for a home loan. The lender also looks at how you intend to use the property that you are buying. If you plan to live there, it is more likely that you will repay the loan.

Your lender may ask you for a very complete financial picture of your life — your income, assets, credit report, etc. — when qualifying for a home loan. Once you provide all of this information and your lender is able to verify it, it shows your lender your ability *and* willingness to repay the loan. The lender is then able to help you qualify for a home loan.

If you are ready to see if you can qualify for a home loan, contact our office today!