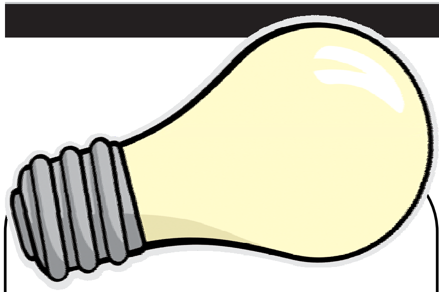
Ed Zoller's

HOME FINDER NEWSLETTER



Here's How Credit Reports And Credit Scoring Affect How Much House You'll Be Able To Buy

There's a new buzzword in the mortgage industry. Actually, it's two buzzwords: Credit Scoring.

In their never-ending search to find an easier way to rate a person's financial ability, mortgage companies are using a new system called credit scoring (also called "FICO" scores – I won't even tell you what that means).

When Lenders pull up your credit report, they can look at all of the debts you have, how much you owe, how well you make your payments, and many other things such as if you've had any bankruptcies within the last several years.

With your credit report, Lenders now get a "credit score" which takes all of this information and creates a credit score for you.

Here's How To Avoid Five Of The Most Expensive Mistakes Homebuyers Make...

Mistake #1:
Not knowing how much they can afford before they make an offer.

The easiest way to avoid this mistake is to get pre-approved for a mortgage by a Lender so you know in advance exactly how much you can afford.

Most pre-approvals are free and it will give you a basis to make a more informed purchasing decision when you find the house you like.

Mistake #2:
Not realizing that the wrong mortgage can cost thousands of dollars in needless interest and taxes.

Check with your accountant before you make your final decision on which mortgage you're going to choose.

Your CPA can tell you what the long-term effects will be on your income, your taxes, and the equity you build in your home over time.

Most people aren't aware that with a standard 30-year mortgage they'll be paying two-and-a-half times the amount of the mortgage in payments.

With some advance planning and a simple strategy, they can cut the amount of interest they pay dramatically and own their homes sooner.

Mistake #3:
Not realizing in advance whom the real estate consultant represents.

Most people think that the agent they're working with is working for them.

This credit score is a number that Lenders use to decide which types of loans you'll be eligible for and able to get.

As with all new things, there's controversy over these credit scores. Some types of loans require that you have a certain credit score to get the loan – no exceptions. And credit scores change over time. As a matter of fact, just applying for credit can lower your credit score.

Now that you know what a credit score is, here's how to make sure you have the best one possible. First of all, don't apply for any new credit cards or consumer loans. Don't go down to the furniture store and take them up on the "no interest, no payments, no nothin' for one year" financing program, and of all things, don't go out and finance a car! You can do all of these things after you get your mortgage and buy your house, but for your own sake, don't do it before. Buying things on credit not only hurts your credit score, but it also leaves less money for you to use for a house payment.

Lenders look at this figure also to determine how much money they'll lend you, and how much they'll charge you to lend it.

So, wait until after you've bought your home and moved in to get that new couch or big screen T.V. And there's another reason to wait. After you buy your home, you can get a loan for up to 125% of your home's value to buy whatever you want. And when you get a loan against your home, all of the interest you pay is tax deductible.

But unless they're working as your buyer representative, they represent the seller. There are different types of agency relationships you can have with a Realtor, so make sure you're clear on your options.

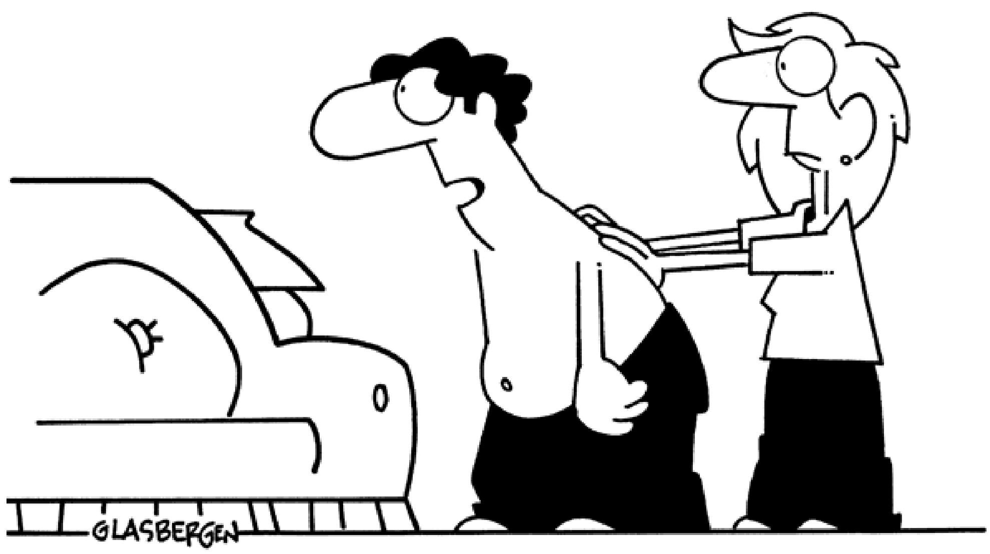
Mistake #4:
Not discovering hidden defects before they buy a home.

One of the most expensive mistakes is also one of the easiest to avoid, by having a professional pre-purchase home inspection. Don't get stuck with a money pit.

The cost of a professional home inspection is usually a few hundred dollars, but the peace of mind it can give you and the expense you can avoid are worth thousands of dollars.

Mistake #5: Not knowing how much their credit can affect their ability to buy or refinance a home.

Before you buy a home, many of the clouds on your credit history can be cleared up or even eliminated. Your mortgage professional can help you review and prepare your credit file in advance.



"Giving a back rub is a lot like buying a house. Just remember, location, location, location!"

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