



Home Buying Preparation Checklist – Part III

Are you a first-time buyer with questions about what you should be doing to prepare for homeownership? This is the final part in a series of articles that walks you through the important financial and practical steps necessary to buying a home. The first part discussed how you should examine your credit, debts, and savings plan during the six to twelve months before you plan to buy. The second article detailed the things to be done in the three to six month prior to home buying – figuring out how much you can afford, research loan options, and planning for future home owning costs. This article aims to outline the important tasks to be done starting from three months until you plan to buy.

Review Credit

We have already discussed how important your credit report and score are in obtaining a mortgage loan, so now is a great time to recheck your credit and look again for errors that could be corrected before you apply for a home loan. You should also try to find ways to decrease the balances on your existing credit accounts as this will help beef up your score before application time. Of course, continuing to make timely payments during this period is essential to maintaining your credit score, so make sure you stay current in all your accounts.

Another word of caution: do not open or close any credit accounts from this point forward until your mortgage closes. Opening more accounts make it look as if you are desperate for more credit sources, while closing accounts might increase your debt-to-available credit ratio, both of which may pull your credit score down. Don't do it!

Shop for the Best Lender and the Best Rate

Now is the right time to start shopping around for the right mortgage lender with the right deal. Be sure to research what the current average interest rates are for people with credit scores like yours. Then get quotes from several different lenders and compare the interest rates and fees offered. It is often more helpful to compare loans based on the annual percentage rate (APR) rather than simply on the interest rate because the APR takes into account closing costs, points, and other fees. It is a more accurate reflection of the true cost of the loan.

Get Pre-approved

Once you have found a trustworthy lender who has offered you good terms on a home loan, you should ask for a letter of pre-approval. This means that the lender has sat down and thoroughly reviewed your income, debts, and assets and is willing to promise you funding up to a certain amount. You can bring this letter with you as you shop for homes. Sellers and real estate agents like pre-approved buyers because they know they are serious and have the funding to make good on their offer.

Shop for a Home

Now comes the exciting step of selecting the right house for your needs. You may want to enlist the services of a real estate agent to help you find the right neighborhood and the home with all the features you are looking for. Once you have located the perfect house, you can



place your bid with confidence and proceed on to the loan application process if your offer is accepted. Having done all your homework and carefully prepared for this end goal will make for a much less stressful purchase process!