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Avoiding Common First-time Buyer Mortgage Mistakes

There is no doubt that buying a home for the first time can be an intimidating process. A house is a huge investment not only as a first-time buyer but anytime thereafter as well. In fact, buying your home may be one of the largest financial investments you make in your lifetime. You will definitely want to find the best deal and terms on your mortgage home loan in order to get the most out of this investment. The following is a list of tips to help you avoid some common blunders that first-time home buyers make in the mortgage application. Be sure to steer clear of these problems and you will have a good chance of securing a great deal!

Shop Around
Many first-time buyers get sucked into borrowing from the first mortgage lender they contacted or even worse, borrowing from a lender that contacted them. This is not a smart plan. The only way to know that you are getting a god deal on your interest rate and loan terms is to shop around. Talk with several mortgage lenders and get quotes from all of them. Do not be afraid to tell them what other lenders offered you; this will make them compete for your business by sweetening their own offer. And if you have less-than-perfect credit, it is even more essential to shop around to make sure you are not being taken in by some unscrupulous lender. You can find a listing of typical interest rates based on your credit score on myFICO.com. Checking this site first will help you know what rate is fair for your situation.

Check and Repair Your Credit
When lenders pull your credit report during the mortgage application process, you really should not be surprised by anything they find there. You need to be proactive in obtaining a copy of your score before you starting the home-buying wheels in motion. It is advisable to request a copy about six months before you plan to start applying for loans. This will give you time to check over the information and go through the appeal process for any mistakes you may find. Pulling your own credit report will not harm your credit score and you can do it once a year for free with any of the three major credit reporting agencies. If you need to check it again in the same year, you will have to pay a nominal fee of about $15.

Get Pre-Approved
Home sellers and their agents are only looking for “serious” buyer candidates. For this reason, you need to get pre-approved for a loan before you start shopping for the right house. Don’t get confused with the term “pre-qualification.” This is where a lender simply reviews your stated income, investments, and debts and gives you an estimate of how much he or she would be willing to lend you. Pre-approval is an in-depth process of actually presenting a lender with supporting documents and letting him or her to the necessary background checks in order to give you a promise in writing of your approval for a certain amount of funds. Then you can bring this letter with you to show agents and sellers that you have the means to buy the home. Of course, you should be aware that some lenders will pre-approve you for money than you can truly afford. Be sure that you are really willing and able to pay back a loan for the price of the home you want.

Plan Ahead for Closing Costs and Home Maintenance

Some first-time buyers start into the mortgage application process without really understanding all the costs and fees that will be involved. You may have saved up for a down payment, but not for the closing costs, or fees due at the time the loan officially begins. These will include appraisal fees, title search charges, attorney fees and other such charges. You should realize that these costs can range from 3% to 6% of the loan total. You can and should get an estimate from your lender of what he or she expects the sum of these fees to be. That way you can make sure to have enough saved up to complete the loan process!

You may also not realize that it takes a good chunk of change to maintain and operate a home. Do not sap all of your resources just to get into a home. Remember that you will need to be able to pay for the various monthly bills for things like heating, water, and electricity. A good plan is to have enough money in the bank so that when your mortgage loan closes you will still have three months' worth of mortgage payments as your reserve funds. This will help you keep current with your payments if you should face any emergency situation.

It is impossible to outline all the pitfalls of the home loan process, but if you are cautious and thorough in your search, you will be able to sidestep many of the headaches of buying your first home!