

5 Home Financing Mistakes to Avoid

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When I joined the [AGENCY] team 10 years ago, it wasn't our position as the experts on luxury real estate in Louisville that drew me, or even the opportunity to work with extraordinary properties. It was our client-first commitment: "Million dollar service at every price point." The [AGENCY] team are passionate about helping our clients find the right home, in the right location, at the right price.

We're dedicated to giving our clients gold-standard service, and that means coaching you to be in the best possible negotiating position. From first-time homebuyers to experienced clients, here are some of the most common mistakes that can delay, block, or even destroy our chances of financing the home you want.

1. UNREALISTIC BUDGETING

Whether you're buying your first home or buying your dream home, it's an emotional experience. The most enjoyable part is window-shopping through listings of pristine, staged homes. It's so tempting to imagine yourself enjoying those fresh interiors and manicured landscapes! But before you get your heart set on a particular property, neighborhood, or set of amenities, it's vital to sit down and prepare a realistic budget. Don't just glance at your current mortgage payment and household expenses. Income-based calculators are a great tool, but they don't give you a complete picture. Make sure you know everything about your current financial position:

- How much cash can you afford to set aside for a down payment?
- What monthly payment is realistic for you?
- What is the current range of interest rates, and what rate will you qualify for?
- What length of mortgage makes sense for your stage of life?
- How secure is your income, and how stable is your income history?

Look at your lifestyle and your future plans, too. How far is your commute to work, school, or church? Are family members involved in sports or extracurricular or community activities? Are you a one- or two-income household, and do you hope to change that? Are you planning for college or retirement? Do family members, parents, or in-laws have medical needs that will become more costly over time?

Make sure the home you can afford today will still be affordable in five or ten years.

2. IGNORING YOUR CREDIT SCORE

Normally, your credit score is like the insulation in your attic: you never have to see it unless something goes wrong. But just like a slow leak can wreck your attic, errors, identity theft and past mistakes can wreak havoc on your credit score.

You may be confident in your financial stability, or you may be dreading having to clean up an unfortunate situation from the past. Either way, you must check your credit report (and your spouse's, if applicable), before you settle on a budget or pursue financing.

After all, the lenders will.

3. KEEPING INFORMATION FROM YOUR AGENT

Your agent is on your side. Their job is to represent your interests, show you appropriate properties, and negotiate the best possible deal. Full disclosure of your financial considerations or any problems is crucial.

Our team at [AGENCY] relies on a deep knowledge of the market, the community, local lenders, and individual sellers' circumstances. If you have concerns about future costs, we can fill you in on long-range city plans (like zoning or transportation) that could impact your decisions. If you have financing issues, we can advise you on the best way to improve your chances at a loan, or structure deals with sellers who can accommodate your situation.

But only if we know! When you work with us at [AGENCY], you aren't getting a glorified personal shopper – you're getting expert advice. Talk to us.

4. CONFUSING PRE-QUALIFICATION WITH PRE-APPROVAL

A lot of people outside the real-estate industry use these two terms as if they are interchangeable. They aren't!

Pre-qualification is an estimate of how large a loan you could potentially be offered. It's based on a simple overview of your finances taken from your income, assets, debt,

employment and your credit score. Pre-qualification is a great tool to use in your budgeting process. It can also help surface any problems you need to address. Pre-qualification can usually be done over the phone or online, with no waiting.

However, it's an estimate, not a commitment. That means you're not ready to make an offer. Most buyers require proof that you have financing in place before entertaining your offer. Any delay in getting that approval could lose you the property you want. As soon as you're ready to actively search for a new home, you should take the next step and get pre-approved for a loan.

Pre-approval is a commitment from the lender that they are prepared to make you a loan as long as the property is appraised for an appropriate amount and your credit does not change. The lender examines your credit history, pay stubs, tax returns and bank statements for an in-depth picture of your financial situation. Having a pre-approval puts you in a strong position. If you're bidding on a very desirable property, sellers want a secure deal that can close quickly. Pre-approval makes you a prime candidate.

5. FOCUSING ON PURCHASE PRICE INSTEAD OF TOTAL COSTS

Buying a home isn't just about the price on the contract. If you plan to pour all your resources into the purchase, you'll wind up stuck with unanticipated expenses that can turn a great deal into a nightmare.

Be sure to keep track of the expenses involved in homebuying:

- Application fees for loan pre-approval;
- If you have a family, house hunting may increase your expenses for childcare and meals on-the-go;
- Closing costs such as lender fees and attorney's fees;
- Moving expenses;
- Renovations or decorating to get the property move-in ready.

You should also consider the ongoing costs of maintaining a home:

- Property taxes;
- Insurance;
- Utilities, water and sewer (especially if changing neighborhoods means

changing providers);

- Long-term maintenance like the roof, appliances, HVAC, weatherproofing and drainage;
- Landscaping and lawn care;
- Homeowners' association fees.

Nobody likes surprises in real estate. Buying a home is the largest investment most people make in their lives -- spend some time preparing, and you can reap the dividends in a smooth, stress-free homebuying experience.

To find an extraordinary home, you need an extraordinary team on your side. At [AGENCY], we give every client world-class service, and we won't settle for anything less. Call us today at [NUMBER] or email us at [LINK]. Let's talk about your next dream home.

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