

# Get Finances in Order to Buy Your New Home

Posted At : December 9, 2010 4:05 PM | Posted By : Paula  
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Here is some helpful advice from Trulia for making your next home purchase:

1. Minimize your holiday spending and save your cash. Instead of using the holiday sales to acquire a new winter wardrobe of cashmere sweaters, hold the discretionary spending down so you can give yourself the gift of homeownership! If you are serious about buying a home next year, don't run up additional credit card debt on gifts this year. Instead, make homemade cards or write holiday letters this year for everyone except the kiddos. And even for the kids, consider scaling back on the stuff, spending more of your time with them than your money, and getting started now saving toward your home purchase.

Kickstart your 2011 homebuying resolution by starting a "Home" savings account at an high-interest, online bank (the discipline-boosting goal is a bank that isn't super easy to transfer funds out of when you run low on cash), and set up an automatic deposit into it every payday. To get specific about your savings goal, if you're cash-flush, obviously a 20% down payment will get you top notch interest rates and provide you with the maximum ability to manage your monthly payments. If you're going to be more of a bootstrapping buyer, an FHA loan might be right up your alley - they offer a down payment of 3.5% of the purchase price.

All buyers should plan to have at least 3 percent of the purchase price saved up for closing costs, even if you want the seller to chip in. The lower-priced the home you want to buy, the more percentage points you should be willing to chip in for closing costs. It's easy for closing costs on an \$150,000 FHA loan to run as high as \$4,000 or more, considering transfer taxes, inspections, appraisals and mortgage insurance fees. So, even the scrappiest buyer should have a savings target somewhere around 6.5% of their target home's price. To buy a \$200,000 home, for example, that would mean a savings target of \$13,000.

2. Research financing, areas homes, prices, agents and online. Smart homebuying takes a lot of research and knowledge-gathering. Since most buyers find it much harder to qualify for a mortgage than it is to find a home you'd love to live in, start with studying up on home financing and what it will take for you to get a home loan (note: FHA loans are preferred by the average homebuyer on today's market who has less than a 10% down payment, so start your research there).

If you're considering relocating next year, now's the time to start narrowing down states, cities and even neighborhoods that may or may not work for you. Take into account the job market, housing and other costs of living, and income and property tax rates, as well as the critical lifestyle inputs that vary from state-to-state, like weather and whether the place is a personality fit for you and the life you want to live, be it urban sophisticate or outdoors adventurer.

Also, start to develop a feel for home prices in a what-you-get-for-your-money type way, and start narrowing down the home styles and even neighborhoods that might fit your aesthetic preferences and lifestyle.

3. Rehab your credit, if you need to. Go to [AnnualCreditReport.com](http://AnnualCreditReport.com) and check out your credit

reports - from all 3 bureaus - for free. (Note - these will not give you your credit score for free - that costs extra, but it will give you the actual detailed credit reports.) Audit them for errors and do the work of disputing inaccuracies to have them corrected. Pay particular attention to: accounts that are not yours/you never opened, derogatory information that should have "aged off" your report by now (i.e., 7 years for late payments, 10 for bankruptcies) and balances or credit limits that are inaccurate (i.e., your credit card balance is listed at \$2500, but you actually only owe \$250.) These are the errors most likely to foul up your financing, so follow the instructions each bureau provides to correct them, stat. While you're at it, don't close any accounts, even if you are able to pay some down or off - actually, check out these tips for getting the bank to give you the best possible home loan, without unintentionally making your score worse!

4. Run your numbers. In the past, some overextended homeowners complained that they felt pushed into a mortgage they couldn't afford. Pundits blamed that on the real estate and mortgage industry, but I have witnessed firsthand many a homebuyer push themselves or their spouses into buying too expensive of a home. Eliminate this issue entirely by doing this - run your own numbers, before you ever even talk to a salesperson or start looking at homes beyond your means. (I assure you, once you see the million dollar home you think you can afford, the \$250,000 home you can actually afford will be underwhelming.)

Get your monthly finances in order, and get a clear read on how much your monthly bills are - outside of housing. Decide how much you can afford to spend every month for housing, when you buy your home. Get clear on exactly how much cash you plan to have at hand to put into your transaction up front. When, in the next step, you begin working with a mortgage broker, you'll want to share these numbers with them, early on in your conversation, to empower them to tell you what home price you can afford - not based on their rubrics, but based on what you say you want to spend every month and what you want to put down.

5. Talk to a real estate and mortgage broker (1 of each). We at New Mexico Mountain Properties have all the info you need for finding and financing a wonderful home in Taos or Angel Fire. Just email us or call and let us know you'd like to work on putting an action plan together for buying a home next year, and would like to talk with us about what action steps need to go on the list. We'll brief you on the timeline of a transaction in our market, and point out for you things like when along the process you'll need to bring money in, when you'll need to miss work and come into our office or the closing office. We offer conveniences like digital document signing, and we can advise you on the local standard practices about which you'll need to know. Depending on your target home purchase timeline, we'll take you to look at a few properties to reality-check your expectations or narrow down a broad wish list.

When you get in touch with the mortgage maven, if you're serious about buying, you will want them to actually pull your credit report, check the actual FICO scores that come up on their system and give you their professional recommendations for what final tweaks you can do to your debts to get your credit score where it needs to be.

Again, we're here to help you achieve your homebuying goals for next year. Give us a call today and let New Mexico Mountain Properties help you get in the game!