

The First Step in the Buying Process

One thing I've noticed, time after time, when helping new borrowers with financing for their first home is that they have looked at Cable Mart, Home Magazine, listings on the internet, or they have even gone so far as to attend an open house or meet with a Realtor. I'm not saying any of this is wrong, but it is just a little out of order. The first thing a new borrower should do is look at their savings. Determining how much money you have to put down on a house and how much you have for closing costs will affect what type of loan program your mortgage officer can offer you and how much of a home you'll be able to afford.

Regardless of your high paying job and your fantastic credit scores, if you only have a minimum amount for a down payment, your choices of mortgage programs will in turn be limited as well as the purchase price that you'll be able to offer. Borrowing from your retirement or receiving a gift from Mom and Dad might help, but again it will limit the types of loan programs that will be available to you and will affect whether or not you qualify for the home you want. After working with your mortgage officer on the types of financing products available to you, you will want to see a Realtor. An experienced Realtor will ask which loan programs you're shooting for, since different programs have different restrictions regarding who can pay closing costs and restrictions on the property itself. This is especially true when dealing with VA and FHA loans whose restrictions can be fairly tight.

Your down payment *will* affect your ability to qualify for a loan. A larger down payment means less risk to the lender; thereby, less restrictions on the loan and more importantly less restrictions on the home that you are trying to purchase. Can you get a loan with very little down? Sure, but again your options are limited and it takes a team effort by you, your mortgage officer, and your realtor to make the purchase happen. A smaller down payment typically means a slightly higher interest rate, since many loan programs charge a higher interest rate when you have less money to put down. Statistically speaking and something most of the country now realizes is that the less a borrower puts down, then the higher the risk of default and foreclosure.

Definitely shop for the best interest rate. I would suggest doing it by phone and not on the internet. Interest rates are based on a number of factors and it's almost impossible to get an accurate rate quote if questions aren't asked and answered, such as is it owner-occupied, are you getting cash-out, what's your debt-to-income ratio, lock-in period, points paid, etc. I encourage everyone to shop local for loans. Never in my years of brokering loans have I seen an on-line lender offer anything that any local lender can't offer.

To sum it up, go ahead and watch Cable Mart, look at the craigslist and have fun, but the first thing you should do before taking action is look at your savings and determine how much money you have available to put down on your new home purchase.

Julie Vaissade-Elcock is a Mortgage Officer and owner of Vaissade Mortgage Company.