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Getting Your Finances Ready to Buy a Home

By: J Harris

You need a new home. Maybe this is your first time looking at homes for sale, maybe you want an investment property, or maybe the move is dictated by a life change. Before you even pickup a homes for sale magazine, there are some important steps you should take. That's right- you need to get your finances in order. By addressing issues of credit, pre-approval, and your financial position, you will be in a better position to look at the homes for sale that are most appropriate for your needs.

Homes for Sale and Your Credit

The topic of pre-approval and your credit really go hand in hand when looking at homes for sale. Why do you want to be pre-approved before looking at homes for sale? It takes time. Just like the actual tours of homes for sale, the paperwork required to get you the mortgage will take some time. This will also give you a good idea of what homes for sale you can afford to look at. But take it with a grain of salt. Just because a mortgage broker tells you that they will approve you for a certain amount doesn't mean that you can afford it. Only you know the true state of your finances.

Your credit and credit score will directly impact both the amount of your loan and the interest rate you will pay. This will impact your monthly payment and therefore the price range of the homes for sale you will choose to view. If your finances are in less than tip-top shape, take some steps to sort them out before looking at homes for sale. You might consider paying off debt or addressing any issues with the three credit bureaus.

Know your FICO score when looking at homes for sale. If it's below 650, consider taking six months to repair your credit before even looking at the homes for sale in your desired area. The short six months you spend rebuilding your credit could save you thousands of dollars in interest over the life of your home loan.

Knowing Which Homes for Sale You Can Afford

Once you have your credit and finances in order, you are ready to look at homes for sale. But wait! How do you know what your price range is? Do not base this decision on what lenders are willing to loan you! You know all those foreclosure homes for sale that you see on the market? Someone loaned those people the money to buy them.

You need to consider your current expenses as well as the costs associated with homeownership. If this will be your first time buying real estate there are a lot of associated costs: mortgage insurance, flood insurance, homeowner's insurance, taxes, lawn and home maintenance, and utilities. Your combined home ownership expenses should never exceed a third of your total take-home pay. Some experts recommend that you look at homes for sale that are about 2.5 times your gross income. Bottom line- you've got some number crunching to do before you start looking at homes for sale.

About the author: John Harris is a researcher and writer on applicable real estate topics such as economics, credit improvement tips, home selling advice and home buying preparations. For more information please visit <http://www.twtrealestate.com/LaJolla-homes.html/>

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