

Steve Landis  
Certified Mortgage Planner  
503-452-0001

# Tips for First Time Home Buyers.



*Recent changes in the lending industry put additional focus on your credit score. Here are some tips to strengthen your financial posture prior to making an offer on a home.*

## Here Are Seven Best Practices you should employ starting today and carry through your life as a homeowner.

### 1) Position Yourself For The Best

Have a Mortgage Planner review your credit with you before making an offer on a home. This will allow you time to repair any issues you may have been unaware of that could prevent you from receiving the best rates available. Your credit score will have a direct impact on your ability to obtain affordable home financing. NOTE: Make sure you have opted out of the trigger lists so your personal information and credit score do not get sold. ( See Opt Out section at the bottom of this document for details).

### 2) Stay Low

Keeping your credit card balances low is even more important once you start the search for a new home. Ideally, you should be prudently using your credit cards insuring your balance does not rise above 50% of your overall credit limit. This actually improves your credit score. If you maintain your credit cards in this manner, you are being fiscally responsible and protecting your credit score as well as the strength of your personal financial future.

### 3) No New Cars

This is not to say you can't purchase a home and a car in the same time period. It merely re-emphasizes the importance of positioning yourself for the best loan and

rates available to you. There is a direct relationship between the amount of debt you carry and your income level. This is referred to as Debt-to-Income ratios. These ratios are a key factor when determining your maximum loan amount. If you have a car with a lease coming due during your home buying process, consult with your Mortgage Planner to develop a strategy to manage this debt through your home acquisition process.

### 4) Maintain Reserves

Reserves are a very important element that is highly scrutinized by loan underwriters due to the high number of defaults on mortgage loans over the past 12 to 18 months. Lenders will look at your savings and investments. Many want to see at least 2 months of your total monthly expenses in reserve. Ideally, they would like to see 3- 6 months reserves to extend the best rate and term offerings. **For first time buyers, there are some loans that do not require reserves.**

### 5) Avoid Switching Banks

With so many banks and investment opportunities luring your money in their direction, it can be tempting to make changes to major elements of your investment or savings plans. Best advice, wait to move funds between institutions until after you have closed on your loan. This is not to say you can't move funds within the same institution, but you will be asked to provide documentation to verify balances on all savings and investments prior to closing your home loan. A clean paper trail of at least two months history is what you need to provide if you do not wish to raise any undo scrutiny of your accounts. If you must change banks, work with your Mortgage Planner to establish a plan to create the appropriate documentation in advance.

### 6) Steady Employment

Lenders like to see stable employment history. If a job change is eminent, ideally you want to stay in the same industry with either a lateral move or a promotion to more responsibility and or more money. If your employment change does not fall into these categories, plan accordingly upfront with

your Mortgage Planner. A Mortgage Planner can help position the employment change information with an underwriter to minimize the impact. KEY HERE, disclose this information to your Mortgage Planner early in your qualification process even if you have no final decisions in motion.

### 7) Get a Head Start

Ideally you start planning with a Mortgage Planner before you start looking at properties. The more prepared your financials are for scrutiny by underwriters, the happier you will be with the interest rate you qualify for and with expeditious process of providing you a viable preapproval letter. Now you find the perfect home and possess the strongest bargaining chip, AN UNDERWRITTEN PRE-APPROVAL from a respected lender. This can be the toughest piece especially for first time home buyers who can be overcome by the process and allow emotion to drive decisions. **Understand you are about to purchase the single largest asset on your books. Make it a financial decision and the long-term outcome will be one of satisfaction and not regret.** Heard the term "house poor", don't let that be you. A good Mortgage Planner helps you work the expense of a home into your overall financial plan and will advise you in a manner that avoids remorse.

This same concept applies to a later refinance. Should you seek to refinance to reduce payments or take cash out for improvements, stay in contact with your trusted lender and seek his advice.

#### OPT OUT PRE-SCREEN PROCESS

Call 1-800-5-OPTOUT or go to [www.optoutprescreen.com](http://www.optoutprescreen.com)

1-provide your SSN, name and home phone

2-choose to have your name included on the OPTOUT for 5 years or permanently

**ADDED BENEFIT:** you will also stop receiving unsolicited pre-screened credit card and insurance offers through the mail.