La Ventana Realty

Buying a Home

Improve Your Chances

With inventory diminishing daily and multiple offers being extremely common, it is of great importance that you position yourself to have the best chance to get your offer accepted.

Enhance your chance of getting the home of your choice by doing the following:

First, get pre-approved for the purchase. This takes very little time and is of great value. At this time, identify the price range for which you qualify and which fits your lifestyle.

Submit a strong competitive offer. Submit the offer as if there will be multiple offers. Include substantial earnest money deposit. Acceptance of an offer is sometimes determined by the amount of the deposit. A larger amount may signify a bigger commitment to the seller.

Minimize or eliminate contingencies; the fewer contingencies, the stronger the offer.

Make a buyer profile available. Include time on the job, flexibility, and reason for purchasing seller's home.

Be prepared to preview a new property quickly. Homes sometimes sell in hours. Be prepared to make decisions quickly and be accessible to change the terms instantly. Buyer and agent need to have instant communication access via office phone, voice mail, fax, pager or cellular phone.

Mortgage Application Checklist

The following are some items you should have with you when applying for a mortgage:

1. Copy of your Purchase & Sale Agreement.
2. Your present mortgage information.
3. Two-year history of employment and verification of all income sources.
4. If self-employed, copies of past two years Federal Income Tax Returns.
5. Information about your checking, savings and credit card accounts.
6. Name, account number and outstanding balance of each of your debts.
7. Application deposits.
8. Information about any assets, including information regarding any other assets that will be used as funds to close.
9. If FHA - Copy of Social Security card and photo ID.
10. If VA - Certificate of Eligibility or DD214If Employee Relocation Client.
11. Include relocation information and copy of offer, promissory note and copy of check on bridge loan.

Financing Options
There are many times of financing options available to homebuyers. Here are some of the most common:

Fixed Rate Mortgage
The interest rate on a fixed rate mortgage stays the same throughout the term of the loan, usually 15 or 30 years. This means the principal interest portion of your payment remains the same. Payments are stable but initial rates tend to be higher than adjustable rate loans and often cannot be assumed by a subsequent buyer.

Balloon Mortgage
A balloon mortgage is a loan that must be paid off after a certain period. The advantage they offer is an interest rate that is lower than a mortgage that is made for 30 years.

Adjustable-Rate Mortgage (ARM)
This interest rate is linked to a financial index, such as a Treasury security or a cost of funds, so your monthly payments can vary up or down over the life of the loan, usually 25 to 30 years. Interest rates can change monthly, annually, or every 3 or 5 years. Some ARM's have a cap on the interest rate increase, to protect the borrower.

Other terms relating to adjustable-rate mortgages:

Adjustment period: The length of time between interest rate changes. An example would be one year ARM-interest changes annually.

Cap: The limit on how much an interest rate or monthly payment can change at each adjustment or over the life of the loan.

Conversion clause: A provision in some loans that enables you to change an ARM to a fixed rate loan, usually after the first adjustment period. This may require additional fees.

Index: A measure of interest rate changes used to determine changes in the loan's interest rate over the term of the loan.

Margin: The number of percentage points a lender adds to the index rate to calculate the ARM's interest rate at each adjustment.

VA Loan
The VA does not lend money; it guarantees a portion of the loan so that lenders who originate the loan feel comfortable with their risk. Qualified veterans can obtain loans up to $203,000 with no down payment. VA-guaranteed loans can be combined with second mortgages and are assumable upon qualifying by any future buyer.

FHA Loan
FHA does not lend money or make a loan; rather, it insures loans. The down payment can be as low as 2.25%. Either buyer or seller may pay discount points. FHA charges a 2.25% up front Mortgage Insurance Premium (or as little as 2% for a first time home buyer) that can be financed in the mortgage amount or paid in cash (no premium is required for condominiums). The borrower must also pay an annual Mortgage Insurance Premium or .5%, which is collected monthly.

Seller Assisted Second Mortgage
The seller of the house lends the buyer enough to make up the difference between the purchase price and the down payment plus first-mortgage balance (a commercial lender may also make this kind of loan). The terms including the interest rate are based on buyer/seller agreement. It is often a short-term (5 to 15 year) loan; sometimes "interest only" payments until the term date when the balance is due in full. A buyer can then refinance the home.

Assumable Mortgage
Buyer "takes over" or assumes the mortgage obligation of the seller (with concurrence of the lender). The interest rate doesn't change and is sometimes lower than current rates. Often the loan fees are less as well.

Questions for Your Lender
The following are some good questions to discuss with your lender when applying for a home loan:

1. Are both fixed-rate and adjustable mortgage loans available?
2. What is the interest rate?
3. How long can I "lock-in" the financing at the current interest rate?
4. Is a float down lock available in case rates drop after I have locked in?
5. What are the other fees a lender may charge me in conjunction with my loan?
6. Are funds for a second mortgage available?
7. On adjustable loans, how often will the interest rate be adjusted?
8. Is there a maximum limit on each rate change?
9. How often will the monthly payment be adjusted?
10. Is there a ceiling on payment adjustments?
11. Can the term of the loan be extended?
12. What is the maximum rate that can be charged over the life of the loan?
13. Is there any potential for negative amortization?
14. Is there a pre-payment penalty clause? This involves extra charges for paying off the loan before maturity. About 80% of all loans in the United States are paid off early.
15. What is the "grace" period?
16. How late can a monthly payment be made before a late charge is assessed?
17. What will happen if a payment is missed?
18. If you sell your house, will the new buyer (if he/she qualifies) be able to assume your mortgage at the same interest rate?
19. Do you have to pay "points" to get your new mortgage?
20. Usually lenders charge points for the cost of giving you a mortgage loan. A "point" is 1% of the loan.
21. Will the lender require mortgage insurance?
22. Is the loan serviced locally or is the servicing sold? Ask for a written "good faith deposit".