

What Every Homebuyer Needs to Know



With housing prices and mortgage interest rates at record lows, now is a good time to explore buying a home. The **Arkansas Bankers Association** offers the following advice to help homebuyers prepare for one of the largest investments of a lifetime:

- **Review your finances.** A thorough analysis of your financial situation is central to the decision to buy. Calculate all of your monthly expenses, in addition to your potential mortgage payment, homeowner's insurance, taxes and condo fees. Factor in other obligations like car payments, credit card debt and living expenses. Budget for home maintenance costs as well. Aim to keep the mortgage payment and all other obligations below 40 percent of your monthly income and stay within your budget when considering homes.
- **Check your credit score.** Your credit history is an important factor when applying for a loan. Most lenders rely on the Fair Isaac Corporation (FICO) credit score when reviewing your loan application. The score reflects how well you manage your debt and is calculated using data from your credit report. A lower credit score will result in a higher interest rate on your loan.

If your score is too low, you may not be approved for a loan at that time. There are a number of steps you can take to improve your credit score, including paying your bills on time, only opening lines of credit you need and keeping your credit card balances below half of your available credit. To learn more and get information about improving your credit score, visit www.myfico.com.

- **Organize your finances before you go to the bank.** Getting a loan requires a few different documentations including, but not limited to, pay stubs, tax returns and financial statements that are less than 60 days old. Provide copies of additional monthly payments such as car loans, credit cards and student loans. You should also bring any additional information you think will help your banker positively evaluate your financial situation.
- **Factor in closing costs.** Once you have found a home within your budget and agreed on a purchase price, there will be costs associated with closing the sale. These costs can vary and will depend on the purchase price and whether a real estate attorney or title/escrow company will be involved in the transaction. By law, lenders are required to give you a written estimate of closing costs within three days of accepting your loan application.

