Tips for

Buying a Home in a Seller's Market

Asses your financial outlook by knowing how lenders look at your credit worthiness.

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The Four C's of Credit

The Four C's of credit and housing ratios are how lenders decide how much money they will lend you.

Three of the C's have to do with your finances and the last C pertains to the value and condition of the home.

Capitol

is the amount of money you have available to make down payment, pay the closing costs and keep in reserve to pay for unexpected expenses.

Lenders will ask you to show how much funds you have available and where did they come from. Two months most recent bank statements showing fonts available is acceptable proof for the mortgage lender.

Capacity

refers to your ability to make your monthly mortgage loan payments and also pay all other bills. In order to qualify for a mortgage loan you will need adequate income and is less debt as possible.

Pay stubs within the past 30 days and two years tax returns are required to verify income. Any additional income such as child support, Social Security benefits, retirement income, and pension can be counted as well. If you're self-employed three years tax returns may be required.

Credit History

Lenders want to know, how much do you owe? How often do you use credit and do you pay your bills on time?

A Tri merge credit report containing data from all three credit bureaus Equifax Experian and Trans union will be pulled by the mortgage lender. I would recommend a credit score of 640 or higher to qualify for a mortgage loan. FICO scores ranges from 300 to 850; the higher your score the better.

Collateral

The house you are buying will be collateral for the loan.

Upon closing on your home loan you signed a mortgage and promissory note in the event that you cannot make your mortgage payment the house will be taken as collateral.

Ratios

Your mortgage loan affordability is based on your housing debt to income ratios. Your housing ratio is based on your monthly income. This determines your affordability, your mortgage payment should not exceed 35% of your gross income.

The back end ratio is based on your projected mortgage payment and other monthly debt obligations. The back end ratio cannot exceed 45% so there's not a lot of room for debt. In some cases individuals with high debt have low purchase power and have to minimize their debt in order to qualify for a higher loan amount.

Once your financial assessment has been done the next step is to move forward with applying for a home loan.

It’s important for you to have a pre-approval letter before shopping for a home. This letter will be required for your realtor to make an offer on a home.

Here at Community Partners in South Florida we are a HUD certified housing counseling agency and can assist you throughout the homeownership process.

We have a team of HUD certified housing counselors, in house lending department, external lending partners, we offer homebuyer education classes in English, Spanish and Creole. Please consider us to assist you on your journey to homeownership!

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