IMPORTANT THINGS TO AVOID BEFORE BUYING A HOME

Don't Buy a Car...Yet

Since North Americans have a special love affair with the automobile, this becomes a high priority item on the shopping list. Later, other things will be added and one of those will probably be a house.

However, by the time home ownership has become more than a distant and hopeful dream, you may have already bought the car.

It happens all the time, sometimes just before you contact a lender to get pre-qualified for a mortgage.

As part of the interview, you may tell the loan officer your price target. She will ask about your income, your savings and your debts, and then give you her opinion. "If only you didn't have this car payment," she might begin, "you would certainly qualify for a home loan to buy that house."

Lesson learned: Buy the house first, and then the new car!

Don't Move Money Around

When a lender reviews your loan package for approval, one of the things they are concerned about is the source of funds for your down payment and closing costs. Most likely, you will be asked to provide statements for the last two or three months on any of your liquid assets. This includes checking accounts, savings accounts, money market funds, certificates of deposit, stock statements, mutual funds, and even your company 401K and retirement accounts.

If you have been moving money between accounts during that time, there may be large deposits and withdrawals in some of them.

The mortgage underwriter (the person who actually approves your loan) will probably require a complete paper trail of all the withdrawals and deposits. You may be required to produce cancelled checks, deposit receipts, and other seemingly inconsequential data, which could get quite tedious.

Perhaps you become exasperated at your lender, but they are only doing their job correctly. To ensure quality control and eliminate potential fraud, it is a requirement on most loans to completely document the source of all funds.

Moving your money around, even if you are consolidating your funds to make it "easier," could make it more difficult for the lender to properly document.

So leave your money where it is until you talk to a loan officer.

Oh...don't change banks, either.

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