

5 Questions you should ask when House Hunting.

Volume

Mortgage Whitepaper Series

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If you're a first-time home buyer or it's been a while since you've bought a house, here are five questions to be sure you ask (and answer) when you start your hunt:

1) Should I get pre-approved?

Yes! Some realtors may require that you're pre-approved for financing before they write an offer to purchase on your behalf. But the real benefit is that you'll know what you can realistically afford and the seller will know that your offer won't fall through because you can't get financing. Make sure you go through a credible lender, someone who'll do their homework and give you a real pre-approval based on your numbers. And, don't feel like you have to spend at the top of your pre-approval range. For example, if you're paying \$800 a month in rent now, be cautious about jumping to a \$1,500 mortgage payment just because you're pre-approved for that much. Make your decision on what to spend on a home based on a comfortable monthly payment amount.

2) Should I use a realtor?

Realtors can make house hunting easier by doing a lot of the leg work (or phone calling). Choose a realtor that you trust and then stick with that one. A reputable realtor will work hard to help you find a home because he or she gets paid only when the deal closes. And, if you find a house that's For Sale By Owner (FSBO), hire a trusted attorney to make sure the transaction is done properly and that your interests are protected.

3) What kind of contingencies are important?

Contingencies are a way of protecting yourself against the unknown. Making your offer contingent upon a home inspection is one that makes great sense for anyone buying a home. A home inspection may find problems that even the seller doesn't know about. Plus, it gives you an "out" to either walk away from the deal or renegotiate the price if the inspection uncovers problems. You may also want to make your offer contingent on the home being appraised at or above the sale price; on the sale of your current home; and upon you securing a mortgage loan, among other options.

...don't feel like you have to spend at the top of your preapproval range. Instead, decide how much to spend based on what your monthly payment will be.

4) What if my credit score is low?

A low credit score means a mortgage will be harder to get, you'll pay higher interest rates and you'll have fewer mortgage choices. Talk with a financial services advisor who can help you assess your specific situation. A higher credit score will make a big difference in getting better mortgage rates.

...do some research before you choose a mortgage lender, realtor or attorney. A home is not an impulse purchase.

5) Aren't all (bankers, attorneys, realtors) the same?

No! Take the time to find reliable, trustworthy professionals. Ask friends, family and co-workers for recommendations or conduct your own interviews to find someone you're comfortable with. Purchasing a home means paying close attention to lots of details, so do some research before you choose a mortgage lender, realtor or attorney. A home is not an impulse purchase. Take time to ask all your questions and get credible information so you're not stuck with a headache after the sale.

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