MISTAKES TO AVOID WHEN BUYING A HOME

You're thinking about buying a home. You've read articles, checked out blog posts, listened to podcasts and talked to family and friends to get more information. Since buying a home is not something you do every day, it's not only good to know what to do—it's important to learn what NOT to do. Avoiding these common mistakes made by prospective homebuyers will help put you on a smarter and smoother path towards homeownership.

Assuming you need 20% down to buy a home

Talk with your loan officer about the amount you will need to secure a home loan. Most first-time homebuyers make a median down payment of 6%.

Changing jobs, leaving your job or becoming self-employed

The amount of your loan approval is typically based on a two-year employment history. If you switch jobs, give up your job or choose this time to pursue dreams of becoming an entrepreneur, you will need to begin the income verification process again, delaying the homebuying process.

Buying a new vehicle or making any other large purchases

Adding more debt, even for something as practical as getting a loan on a car so you can get to work, will impact your overall debt-to-income ratio and can have a negative impact on the original amount of your home loan approval.

Running up your credit cards or making late payments

As tempting as it may be, buying furniture for your prospective new home, going on vacation before you commit to more time spent at home or adding any type of debt to your credit cards can lower your credit score. In addition, making late payments, or worse, missing payments altogether, can have a serious negative impact on your credit score.

Spending money you have set aside for closing

You've saved funds for closing costs, so leave them in that designated savings account. Typically, homebuyers will need to pay about 2% to 5% of the home's purchase price in closing fees. These fees must be paid to finalize the closing of your home loan.

Not Listing all your debts and liabilities on your application

It is important to list all your debts and liabilities at the time of applying for a home loan and be transparent about them. Doing it right the first time will reduce the time it will take to clear up any discrepancies between your application and your credit report.

Allowing other lenders to run your credit

It is important to eliminate any disparities in your credit score between the time of your home loan approval and closing. Allowing other lenders to run your credit has the potential to reduce your overall credit score.

Receiving gift funds or making large deposits without checking with your loan officer

If there are any unusual or large deposits into your savings or checking account during this time, the deposit will need to be documented. If the funds in question cannot be documented, those funds will not be given credit towards documenting the availability of funds for your down payment funds.

Co-signing a loan

Much like making a large purchase, co-signing a loan for anyone, even for a close friend or family member, means adding to your overall debt responsibility. As generous or selfless as co-signing a loan may be, it will impact your overall debt-to-income ratio and can have a negative impact on the original approved amount of your home loan.

Now that you've reviewed these mistakes, you can see how easy they might be to make—and what you can to do navigate around them to get to your own important goal of owning a home. Be sure to talk with your loan originator if you're thinking about making any financial moves during the home loan process so you can make the move to your new home.

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