Laura's Tips: A Guide To Your Home Search

1. Research before you look. Decide what features you most want to have in a home, what neighborhoods you prefer, and how much you'd be willing to spend each month for housing.

2. Be realistic. It's OK to be picky, but don't be unrealistic with your expectations. There's no such thing as a perfect home. Use your list of priorities as a guide to evaluate each property.

3. Get your finances in order. Review your credit report and be sure you have enough money to cover your down payment and closing costs. Then, talk to a lender and get prequalified for a mortgage. This will save you the heartache later of falling in love with a house you can't afford.

4. Don't ask too many people for opinions. It will drive you crazy. Select one or two people to turn to if you feel you need a second opinion, but be ready to make the final decision on your own.

5. Decide your moving timeline. When is your lease up? Are you allowed to sublet? How tight is the rental market in your area? All of these factors will help you determine when you should move.

6. Think long term. Are you looking for a starter house with plans to move up in a few years, or do you hope to stay in this home for a longer period? This decision may dictate what type of home you'll buy as well as the type of mortgage terms that will best suit you.

7. Insist on a home inspection. If possible, get a warranty from the seller to cover defects for one year.

Laura's Tips: 10 Questions to Ask Your Lender

1. What are the most popular mortgages you offer? Why are they so popular?

2. Which type of mortgage plan do you think would be best for me? Why?

3. Are your rates, terms, fees, and closing costs negotiable?

4. Will I have to buy private mortgage insurance? If so, how much will it cost, and how long will it be required? (NOTE: Private mortgage insurance is usually required if your down payment is less than 20 percent. However, most lenders will let you discontinue PMI when you've acquired a certain amount of equity by paying down the loan.)

5. Who will service the loan — your bank or another company?

6. What escrow requirements do you have?

7. How long will this loan be in a lock-in period (in other words, the time that the quoted interest rate will be honored)? Will I be able to obtain a lower rate if it drops during this period?

8. How long will the loan approval process take?

9. How long will it take to close the loan?

10. Are there any charges or penalties for prepaying the loan?

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Laura's Tips: Factors That Decide Your FICO (Credit) Score

Credit scores range between 200 and 800, with scores above 620 considered desirable for obtaining a mortgage. The following factors affect your score:

1. Your payment history. Did you pay your credit card obligations on time? If they were late, then how late? Bankruptcy filing, liens, and collection activity also impact your history.

2. How much you owe. If you owe a great deal of money on numerous accounts, it can indicate that you are overextended. However, it's a good thing if you have a good proportion of balances to total credit limits.

3. The length of your credit history. In general, the longer you have had accounts opened, the better. The average consumer's oldest obligation is 14 years old, indicating that he or she has been managing credit for some time, according to Fair Isaac Corp., and only one in 20 consumers have credit histories shorter than 2 years.

4. How much new credit you have. New credit, either installment payments or new credit cards, are considered more risky, even if you pay them promptly.

5. The types of credit you use. Generally, it's desirable to have more than one type of credit — installment loans, credit cards, and a mortgage, for example.

For more on evaluating and understanding your credit score, visit www.myfico.com.

Laura's Tips: Budget Basics Worksheet

The first step in getting yourself in financial shape to buy a home is to know exactly how much money comes in and how much goes out. Use this worksheet to list your income and expenses below.

INCOME	
Take Home Pay (all family members)	
Child Support/Alimony	
Pension/Social Security	
Disability/Other Insurance	
Interest/Dividends	
Other	
Total Income	
EXPENSES	
Rent/Mortgage (include taxes, principal, and insurance)	
Life Insurance	
Health/Disability Insurance	
Vehicle Insurance	
Homeowner's or Other Insurance	
Car Payments	
Other Loan Payments	
Savings/Pension Contribution	
Utilities (gas, water, electric, phone)	
Credit Card Payments	
Car Upkeep (gas, maintenance, etc.)	
Clothing	
Personal Care Products (shampoo, cologne, etc.)	
Groceries	
Food Outside the Home (restaurant meals and carryout)	
Medical/Dental/Prescriptions	
Household Goods (hardware, lawn, and garden)	
Recreation/Entertainment	
Child Care	
Education (continuing education, classes, etc.)	
Charitable Donations	
Miscellaneous	
Total Expenses	
Remaining Income After Expenses (Subtract Total Income from Total Expenses)	

Laura's Tips: How Big of a Mortgage Can I Afford?

Not only does owning a home give you a haven for yourself and your family, it also makes great financial sense because of the tax benefits — which you can't take advantage of when paying rent.

The following calculation assumes a 28 percent income tax bracket. If your bracket is higher, your savings will be, too. Based on your current rent, use this calculation to figure out how much mortgage you can afford.

Rent: _________________________

Multiplier: x 1.32

Mortgage payment: _________________________

Because of tax deductions, you can make a mortgage payment — including taxes and insurance — that is approximately one-third larger than your current rent payment and end up with the same amount of income.

For more help, use Fannie Mae's online mortgage calculators.

Laura's Tips: Get Your Finances in Order: To-Do List

1. Develop a household budget. Instead of creating a budget of what you'd like to spend, use receipts to create a budget that reflects your actual spending habits over the last several months. This approach will factor in unexpected expenses, such as car repairs, as well as predictable costs such as rent, utility bills, and groceries.

2. Reduce your debt. Lenders generally look for a total debt load of no more than 36 percent of income. This figure includes your mortgage, which typically ranges between 25 and 28 percent of your net household income. So you need to get monthly payments on the rest of your installment debt — car loans, student loans, and revolving balances on credit cards — down to between 8 and 10 percent of your net monthly income.

3. Look for ways to save. You probably know how much you spend on rent and utilities, but little expenses add up, too. Try writing down *everything* you spend for one month. You'll probably spot some great ways to save, whether it's cutting out that morning trip to Starbucks or eating dinner at home more often.

4. Increase your income. Now's the time to ask for a raise! If that's not an option, you may want to consider taking on a second job to get your income at a level high enough to qualify for the home you want.

5. Save for a down payment. Designate a certain amount of money each month to put away in your savings account. Although it's possible to get a mortgage with only 5 percent down, or even less, you can usually get a better rate if you put down a larger percentage of the total purchase. Aim for a 20 percent down payment.

6. Keep your job. While you don't need to be in the same job forever to qualify for a home loan, having a job for less than two years may mean you have to pay a higher interest rate.

7. Establish a good credit history. Get a credit card and make payments by the due date. Do the same for all your other bills, too. Pay off the entire balance