

Getting a Pre-Approved Mortgage

Some people will find a house they really like but are turned down for the loan. If you are on the market to buy a new home, condo unit, or even a trailer home it will be a good idea to get pre-approved for a mortgage before you start your search. When you are shopping around with a pre-approved loan, you will know where you stand in terms of what you can afford and how much the bank is willing to lend you.

This will be based around your credit score. There are not many people with six figures in their savings account to drop on a house. This is where you will need the help of a lender and they will examine your credit history to make sure you are not going to be a high-risk borrower. They will check your past payments on previous loans, your debt to income ratio, and they will make sure you are not late on any of your current monthly payments to other financial institutions and obligations.

This process can be handled better if you know what you are in for and are willing to take care of any unsettled debts well ahead of time before you start your search for a new home. If you have poor credit this does not mean that you will instantly be denied, but it will mean the lender will instil a higher interest rate. Many people sign a contract for 10% or 12% on a six-figure loan application and not know what they are getting into. An interest rate of this magnitude means every monthly payment you make you are doing nothing but paying off interest.

This is why being pre-approved of what you can afford is the best way to go about this. It will also give you time to get some of your other debts handled before you sign a loan application with an excessive interest rate.

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