Buying A Dream House

Now a day owning own home is probably the one biggest thing couples work for today. Renting out a home has many advantages but still the thoughts of "one man's ceiling is another man's floor" do not appeal to many people. Finally we can say that people want the stability of owning their own home. A time comes when careers are stable, children are coming along, and one wants security in knowing to own you're his property, at this time home ownership becomes very desirable. But before taking a decision to buy a home one should consider lots of things and should take a very wise decision so that his future does not turns out to be dark. These days because of unstable market, lenders are getting very choosy about who they lend money too. Considerations are credit card debt, timeliness of payment, and other factors that affect the credit. The current average annual percentage rate on most credit cards is about twelve to thirteen percent. And with the current rate of home loan interest on the average of six to seven percent, it is easy to see that credit card holders are paying twice as much in interest on credit card debt than on a home mortgage.

To pay off credit card debt instead of putting extra money away for a down payment makes more sense in this case. Next is down payment and closing costs. Most important regarding this is the ability to pay. By rules a down payment of at least ten percent is essential, and bankers prefer that one should pay twenty percent or more. Few lending institutions do not make the loan for if one cannot come up with a certain percentage, based on current financial situation. By paying more than the required ten percent one not only to gets the advantage in keeping mortgage payments at an acceptable level, but it also helps in avoiding the necessity for private mortgage insurance (PMI). Private mortgage insurance is nothing more than insurance for the lending institution to protect itself if you face foreclosure.

Fee that is paid for the processing of the loan at the time of closing is the closing cost. This includes banker fees, cost of appraisals and inspections, payment to escrow to be used towards taxes and insurance, and title searches. A good lender will give the costs of these fees in what is called a Good Faith Estimate, which should be accurate with no surprises when one goes to the closing table. The lender will also notify in the off chance that changes need to be made to the good faith estimate. Thus one should plan to pay around six percent of the initial loan for the cost of closing.

About the Author

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