Jason Tatum, REALTOR®, ABR, SRS
Cell: 512-731-0352
JasonInRealEstate@gmail.com
www.allaboutelgin.com
11 N. Main Elgin, TX, 78621

Most mortgage professionals counsel their clients regarding creating new debt, allowing others to pull their credit or caution them against making any major purchases while they are attempting to purchase a new home. Why is this? Depending on what kind of credit granting company pulls your credit, it could have a major impact on your credit score and impact your ability to qualify for the loan you seek or the interest rate you will pay for your mortgage could increase.

An inquiry on your credit report may seem minor, but in addition to the concerns above, this will require the borrower to provide additional documentation explaining why they had their credit report pulled and if there was any additional debt generated by this inquiry. If an account was opened it will require documentation from the creditor and the additional debt will have to be counted against the borrower for qualification purposes. This just adds to the already frustrating process of providing documentation and explanations during the loan approval process.

I know home buyers often get excited about their new home and want to fill it with new furniture. Some buyers will go furniture shopping before they close on their new home, but I discourage my clients from doing so. In this instance delayed gratification can work in your favor. DO NOT buy before or during the home buying and loan approval process or you could be in for a big let-down.

“But I need a new car”. I hear this comment frequently as well. Buyers need to recognize the difference between a “need” and a “want”. You may want to buy a new car but in 99% of the cases this purchase can wait until AFTER you have closed on and moved into your new home. If you find yourself in a situation where you must get new transportation, consider renting or borrowing a vehicle until after your home loan closes. Always confer with your mortgage professional before making any financial decision that could impact your ability to purchase your dream home.

Based on a 30 year term with a rate of 4.5%, the following list shows how much 1 extra debt payment can impact your home purchasing power:

$200 = $39,500 less home purchasing power
$300 = $59,300 less home purchasing power
$400 = $79,000 less home purchasing power
$500 = $98,800 less home purchasing power
$600 = $118,500 less home purchasing power

So let me ask you this simple question; is that new car, new furniture or new credit card worth the home of your dreams?