

Eight Tips For a Headache-Free Closing Day

You're almost there. Your offer has been accepted, your loan pre-approved and the house is officially under contract. Only time separates you from closing on your new home. Easy sailing from here, right?

Before you throw out your welcome mat, there are still a few hurdles to overcome before you can say "Home, Sweet Home." The decisions you make between contract and closing can delay, impede or even stop the transaction completely, creating some headaches along the way. To help avoid these pains, keep these eight tips in mind.

Stay in Your Current Job

Keep your employment stable unless it's absolutely necessary to make a job change. Lenders like to see a consistent work history and changing employers can create an uncertainty about your future, particularly if your salary is commission-based. Also avoid a change to self-employment. When approving a loan, lenders usually like to see a two-year track record of self-employment income. In addition, self-employed workers tend to include a lot of expenses on their tax returns, especially when initially getting off the ground. These expenses reduce your income to qualify for a home loan.

Wait to Move Money Around

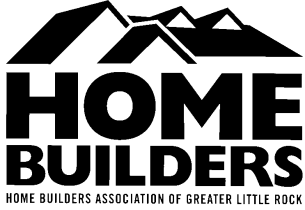
To ensure quality control and eliminate potential fraud, many mortgage lenders require you to document the source of all of your funds. You may have to provide a paper trail, including cancelled checks, deposit receipts and other seemingly trivial data, which can get quite exasperating. Moving money around between checking and savings accounts, money market funds, stocks, mutual funds or even retirement accounts—even if you are consolidating funds to make it easier—could leave you and your lender with an extreme headache trying to properly document it all.

Hold Major Purchases Until AFTER Closing

Why? The biggest reason is to stabilize your debt-to-income ratio, the percentage of your gross monthly income (before taxes) that you spend on debt such as monthly housing costs, credit cards, student loans, installment debt and car payments. A major purchase reduces the amount of income you have available for your home mortgage. And reduced income may convince the bank you can't afford a new home. Your best bet is to wait for that new car or home entertainment system until after closing.

Use a Third Party to Manage a FSBO Deposit

Many war stories have been told about For Sale by Owner (FSBO) sellers who spent "good faith" deposits prior to closing. When the transaction is canceled for valid reasons such as repair or financing issues, buyers have to battle for a refund. A better choice is to put the deposit in a trust account and find an attorney or other third party who will safeguard the money until after closing. Be sure to state in your contract what happens to the deposit if the transaction doesn't occur.



Keep Your Emotions in Check

Most likely you have fallen head over heels for your new home, but be careful not to let Cupid's arrow lead you astray. Buying a house is a business transaction, and you must have a cool head throughout the deal. Try not to fall so much in love that you ignore major repairs that you can't afford, while keeping in mind no home is perfect. Avoid walking away from a terrific home because of a seller's refusal to do a small repair.

Work with Builders and Be Realistic

When building a new home, make sure you keep the process moving by having all your selections completed in a timely manner, and by keeping an open line of communication with the builder so you know what to expect in terms of completion. On another note, if your new home's closing is contingent on selling your old home, you need to be realistic about the selling price of your existing home. Don't allow the house you want to slip through your fingers because you are holding out for too much money on the house you want to sell.

Estimate Closing Costs Well in Advance

In many cases, closing costs can be as much or more expensive than the down payment required to purchase a new home. Keep in close contact with your lender so that you know what to expect come closing day. Understand the numbers and don't hesitate to ask questions, so that you fully understand the lender's requirements. The more you know going in, the easier it will be to buy your new home.

Remember to Hire Representation

Chances are the seller has a broker. Make sure you have good representation on closing day, whether it is your broker, attorney or both. Having representation ensures that all bases are covered and no detail is missed.

By following these few suggestions, you will be a blissful homeowner on closing day.