

Reducing Your Cash Outlay When Buying Real Estate

Real estate is perhaps the most expensive thing most Americans will buy during their lifetime. Unless, of course, they can afford rare collector items as well! However, pursuing a home mortgage loan can be quite intimidating and seem like tons of cash is required to ever get the deal done.

This isn't always the case, as several banks may offer a bad credit home loan option if the loan to value ratio is in their favor. Also, it's best to conserve enough cash for emergencies or any improvements and repairs that may be needed in your new home. You'll have plenty of other expenses outside of a huge down payment to inspect, close and move into the property!

Closing costs do not only entail home loan points, but also include a real estate agent's commission, title expenses, hazard and liability insurance, and any other items that you want to cover before taking possession of the property. This process is much like buying a car; the sticker price is only the beginning of what you'll end up paying! Luckily, the seller will usually be the party that gets to pay the agent's commission for selling their property.

The key to conserving as much cash as possible is to stay well within your budget. How do you know what this number is? Go to your local mortgage broker or home loan finance company and inquire about the best home loan rates available. How do you qualify for these rates? Ensure your credit and current accounts are all in good order, you have sufficient funds for a down payment and an emergency savings fund, and get pre-approved before ever shopping for a new home.

Only bad credit home loan applications should require an application fee; there is time and money spent in reviewing your application, and if it is doubtful you will be approved, the home loan mortgage company may require this upfront.

Real estate agents and lenders will usually suggest a specific title research company while closing the deal, but you may still shop around for a better rate in this area, too. This option will give you more control in both the cost and power of the transaction.

The next step is to start shopping for insurance. Start with any insurance companies you currently do business with and inquire about discounts for adding a new policy with them. You may also find that certain counties or townships have a significantly higher insurance rating that makes the same priced home out of your budget; this is good to know before submitting a formal offer, and there's no sense in looking at homes you can't afford!

Finally, after receiving pre-approval from your lender, ask what options are available to you. Can you afford a higher interest rate by paying a lower down payment? How will this affect the life of the loan and your monthly payments?

Seller financing options are also a great way to conserve your own money; often, a very small down payment is required, and you simply assume the payments without ever legally owning the loan.