

## Mortgage Mistakes

Purchasing a home will be one of the most stressful, but also, most important processes of your life. Be careful not to let the stress of buying a home cause you to make costly mistakes. Here are some of the most common mistakes that occur when purchasing a home.

The first mistake is not looking around for the best possible interest rates offered by banks and mortgage lenders. Do not settle with a bank just because you have always kept your money there and take out auto loans from there. Shopping around is time consuming, but in the end it could be the difference in thousands of dollars.

The second common mistake is not checking your credit before going to apply for a loan. Whenever applying for a home, auto, or any other kind of loan, it is crucial to know where your credit score is at. Without checking, there is always the possibility that you did not pay off a credit card or that you have a random charge that you never even knew about hindering your score. By checking your credit score, you will be able to see what is holding back your credit or see that your credit is in perfect shape. Credit problems will hinder you from getting the loan you think you deserve or even a loan at all.

Another common mistake is spending too much on payments you cannot afford. Look through your bills and eliminate the ones that are not necessities and that are not more important than buying a house. Knowing what size loan you can realistically afford can eliminate overpriced houses and too cheap of houses right off the bat. Lastly, do not let a real estate agent continuously show houses that are out of your set price range.

Mistake number four is failing to get pre-approved for the loan. The lender will check your credit history, savings, and debt-to-income ratio and decide what size loan, if any, is appropriate for you. Getting pre-approved is important for multiple reason, such as knowing your loan size; the near certainty that sellers will listen to your offers; and lastly, leverage in negotiations with the seller since the bank or lender has faith in you.

The fifth mistake is taking out a loan that costs too much for you in the form of an adjustable-rate mortgage (ARM). ARMs will always initially have lower interest rates being offered then fixed rates. Do not rush into taking the lower ARM if you know that the fixed rate is out of your price range. Chances are that the ARM will go up and you will end up spending around the same amount with the ARM that you would have with the fixed rate.

The last common mistake is signing a prepayment penalty. The prepayment penalty does not allow you to pay off your loan earlier than you originally thought you could have. It also does not allow borrowers to refinance or sell their homes when the interest rates are adjusting in their favor. As of now, Congress and the Federal Reserve are deciding whether prepayment penalties should be outlawed or just restricted in a different manner.

## About the Author

Refinance.com is managed by a group of professionals in the [Mortgage refinance](#) field who can help you avoid common mistakes most people make when shopping for a mortgage deal, to learn more visit our site at <http://www.refinance.com/>

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