

# **TOP 10 TIPS FOR AFFORDING YOUR DREAM HOME**

Just a few years ago, home ownership was within reach for just about anyone with reliable income and decent credit. But the economy has undergone massive changes since then. Today, those who wish to buy a home must have a good credit history, and they must prove that they can afford the home to the satisfaction of the lender.

That's not to say that it's no longer possible to buy your dream home. It just means that you'll have to work a little harder for it. Here are some tips for affording the home that you've always wanted.

## **#1: Be Patient**

Few people are able to buy their dream home at a young age. You may have to rent for a few years or buy a less expensive home first. The money that you save on mortgage payments can be put away to use when you are ready to take the plunge.



## **#2: Save up a Down Payment**

These days it's much less common to be able to buy a home without a down payment than it was in the early 2000s.

And even if that is an option, it's not a particularly good one. Saving up a down payment not only reduces the amount of money you'll have to borrow when you buy your dream home, it shows lenders that you have discipline and gives them the confidence to offer a lower interest rate.



### **#3: Keep Your Priorities Straight**

When you're trying to save up a down payment for a home, it's tempting to put every available penny toward it. But before you do that, it's crucial that you save up an emergency fund with enough money for three to six months' worth of expenses. That way if you run into financial problems, you won't have to dip into your down payment fund. It's also important to continue to make regular contributions to your retirement funds and your children's education funds.



#### #4: Keep Your Credit in Good Shape

Getting a mortgage today requires excellent credit and that's unlikely to change anytime soon. So even if it will be several years before you are able to buy your dream home, it's important to keep your credit spotless starting now. If you've had delinquencies in the past, paying bills on time going forward will minimize their effect. And if your credit has always been perfect, keeping it that way will get you the best possible interest rate.



#### #5: Know What You Want

A dream home is different things to different people. Some aren't even sure what they want in a home – they just want the biggest home, or the newest one, or the one with a swimming pool.

Take the time to sit down and make a list of the attributes of your dream home. How many bedrooms does it have? How much living space? What kind of flooring, countertops and fixtures? Sorting out the things that are most important to you will help you avoid spending more than you should.



#### #6: Be Flexible

It's just as important to know what you can do without as it is to know what you want. If you were to find a home that had everything you were looking for except for one thing, and the price was right, would that one thing be a deal breaker? Or would you consider doing some remodeling after you buy? There's no right or wrong answer to this question, but know that the more flexible you are, the better your chances of saving money.



### **#7: Know What You Can Afford**

One of the issues that contributed to the mortgage crisis was the willingness of lenders to finance homes that the buyers could not really afford. Lenders are more careful these days, but some will still finance homes that do not fit comfortably within the buyer's budget.

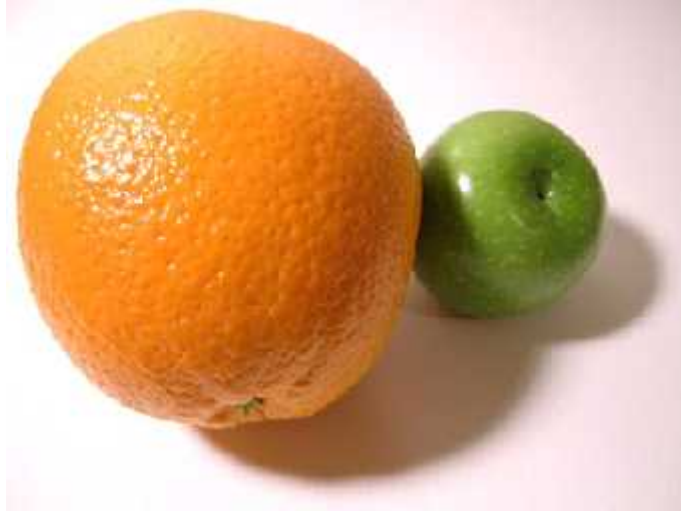
Remember that just because a lender says you can afford a home, that doesn't mean that you necessarily can.

It's up to you to carefully evaluate your income and expenses and decide how much you can honestly afford to pay toward housing each month.



### **#8: Shop Around for Mortgages**

When you're ready to buy, check the rates with several different mortgage lenders. The lower the interest rate you can get, the less you'll end up paying when it's all said and done. Even those with impeccable credit will receive different quotes from different lenders, so don't just go with the first one that gives you a rate that sounds good.



### **#9: Negotiate With the Seller**

Once you've found a home that you love, try to negotiate a lower price with the seller. When it comes to real estate, most sellers are willing to make concessions on price. In fact, they often set the price higher than what they expect to get for the home to allow for this. Make an offer and see if it is accepted. If not, the buyer may make a counteroffer. The offers can go back and forth until you come to a price you both agree on.



## #10: Negotiate With the Lender

Don't be afraid to ask the lender for a better deal. It's in their best interest to come up with something that you will agree to. Most lenders offer a number of different loan options, so if you're looking to lower closing costs or monthly payments, there's a good chance that they can help.



Nobody said that buying your dream home would be easy. But these tips will help make it a little bit simpler and more affordable.



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