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Let's Talk About Real Estate

“DETERMINING WHAT YOU CAN AFFORD”

Many articles are being written these days about the fact that home prices are moving out of the reach of potential home buyers. This dilemma is referred to as an affordability problem. Do you know what you can afford on today's market? The price you can pay is a combination of three factors: a down payment, a mortgage loan, and closing costs. You probably know how much cash you can assemble for the down payment and closing costs, but you must also determine the amount of mortgage financing you can obtain.

Don't assume that you can't afford the home of your choice. Talk to the experts. The first expert to consult is your local Realtor®. He or she can give you an idea of the price you will have to pay for the type of home you want. After identifying the price, talk to a mortgage lender about your current financial situation and your ability to borrow the amount you'll need.

Here are some of the basic items a mortgage lender may require at the time you make a formal application for a mortgage loan:

1. A copy of your contract of sale or building agreement complete with legal description.
2. W-2 forms for the past two years and original pay stubs for the last thirty days showing year-to-date income or a letter from your employer confirming your earnings for the previous two years and this year to date.
3. If self employed, business and personal Federal Tax Returns for the past two years plus a current balance sheet.
4. A 90-day history of savings, checking, and for brokerage accounts.
5. A complete list of outstanding debts and account numbers.
6. Verification of twelve months of rental, mortgage, or land contract payments.

ADVICE: Investigate your ability to buy real estate. Ask the experts.