

“Easy Money”

Paying for your vacation home is easier than you may think.

Make an appointment with a local lender before you start looking at properties. Why should you look for the money before you look for the house? There are several good reasons:

- Your lender will help you establish the price range in which you should be shopping, based on your available income and your available cash.
- You can learn how much of the rental income can offset the mortgage payment - this often makes vacation property more affordable than you may think.
- If you have particular financial constraints, or strengths, your lender can help structure the loan to meet your needs in advance. You and your Realtor will know exactly how to word the financing contingency in your Offer to Purchase so that it will meet the lender's requirements. This sure beats going back to the seller a month later and asking to renegotiate the contract so that you can get a loan.
- Best of all, this puts you in a stronger position when you have found the house you want and are ready to enter into negotiations if you are pre-qualified before you start shopping. The seller knows you are serious and will be able to follow through with the purchase.

Choosing the right lender is just as important as choosing the right property.

You're always better off if you know what to look for and the right questions to ask. For example:

- Look for a lender who is well-trained, able to communicate clearly, and capable of giving good advice. Remember, most lenders are like Realtors, they don't earn any money unless and until the sales goes through. Therefore, they are motivated to be helpful and keep you on the right track.
- Look for a lender who offers a wide product base. There is a great variety of loans available today, and some will suit you better than others. In fact, one lender may have to turn you down because she doesn't offer the loan you need while another can match you with funds immediately. By working with a lender who has many options to offer, you will be in a much better position from the start.
- Ask for all quotes in writing. The cost of your loan involves more than the interest rate, and different mortgage lenders have different add-on fees. You can count on having to pay for the appraisal; the credit report; federally required flood certification, tax service, and VA funding fees; and a document preparation fee if the lender prepares the package for the attorney. Look out for miscellaneous application, processing, and conveyancing fees. You don't want to be surprised at the last minute at the closing table with unexpected fees. What sounded like the best deal at first may turn out to be more costly in the long run, especially when you are dealing with new construction.
- Ask how much the origination fee is. Every loan has one as this is the cost of processing the loan. If it is not quoted as a separate expense, it will be reflected in a slightly higher interest rate.
- Ask your lender to project the cost of your loan over the length of time you plan on keeping the property. Remember, the more discount points you can afford to pay up front, the lower your interest rate will be. The longer you keep the property, the more it makes sense to "buy down" the rate.
- Beware of any lender who quotes way below the market rate and then advises you to wait before you lock in. Be sure that the rate and points quoted are something you could lock in today, if you wanted to.

If you are as careful in the selection of a Realtor and a lender as you are in the property itself, the buying process will be challenging and fun. It might even be easy!

Courtesy of Beach Realty & Construction