

Finance

The Question of Finance?

It is very probable that if you are planning to purchase a home in Florida, you will require some sort of financing to make the deal happen. Buyers who intend to take a loan to purchase property should take note of the following points.

Where you borrow the money from is something you need to think about, particularly if you are an overseas buyer. Much has been written recently in the media about the current state of the US mortgage market, particularly sub prime loans. To clarify; sub prime loans were loans made to risky borrowers, some of whom are now in default. This type of lending practice has led to a number of US mortgage companies toughening up their required qualifying criteria for borrowers. What this means to today's potential buyers is home loans from US lenders are not quite as straightforward as they previously were.

If you are a US citizen, then you will probably be borrowing from a US lender. In order to ensure that you as a buyer are in the strongest position in terms of negotiation with a seller, I would advise the buyer to get pre-approved for a loan and secure paperwork from the lender confirming this fact so it can be included in any written offers you wish to make.

This detail is very important when submitting an offer to a seller as it can adversely affect how the seller views the deal on the table. To explain; the FAR/BAR contract for sale and purchase of property includes some very detailed clauses surrounding the buyer's finance they propose to use for the purchase. A submitted offer with proof of a firm commitment of a loan to the buyer is a much stronger proposition to the seller than an offer with no loan in place. The ultimate offer to purchase presented to a seller is a cash deal but not every buyer is fortunate enough to make such a strong offer. Therefore, an offer with a confirmed loan attachment is the next best thing.

Buyers should not get confused with pre-qualified status from a lender; this is not the same thing. Pre-qualified status is merely an informal offer of loan by a lender. There is no commitment from the lender to honour this offer until the buyers have completed the full loan application paperwork and submitted themselves to credit checks. The borrower may also have to pay a set up fee. An offer for sale and purchase with a pre-qualified loan is not a strong negotiation position for the buyer and not advisable if the buyer wishes to bargain the very best deal with the seller.

Overseas buyers should also note that at the current time interest rates in the US are more than likely higher than rates in their country of residence. Therefore it makes financial sense for overseas buyers to compare lending rates in both the US and their country of residence to see who are offering the best deals. Furthermore, overseas buyers should note that US loans to foreign nationals are fairly specialized with only a small amount of lenders offering such loans. These loans usually come with the criteria of a heavy down payment, sometimes in the region of a required 30% deposit of total sales price. Therefore when comparing loans do bear in mind that a US loan may not be available to you due to your non-US citizen status and a better deal may be had in your home country.

Buyers should note that paying cash for a home versus securing a mortgage can affect their closing costs. If a buyer is using a loan to purchase a home, the lender will probably require as part of the lending conditions a number of reports and investigations into the home such as home inspection, termite inspection, survey and appraisal. The lender can and usually does organize the majority of these things on behalf of the buyer and then charges them a variety of fees at closing for these services. The lender wants to be sure they are lending money for a reliable asset as they have a vested interest in the property until the loan is satisfied. However, if a buyer is paying cash for a home, it is their money at stake so they personally decide what sort of inspections and reports they would like carried out on their planned purchase. Whilst a cash buyer can choose to not commission any reports into the home, this would be foolish and it is strongly recommended that a cash buyer should investigate a potential purchase as thoroughly as a lender would to ensure their asset is sound.

In summary, when thinking about the question of finance, buyers seeking a loan should do their homework. Shop around for the best rates, compare and make your final decision on whom to use before entering into any negotiations. Then secure pre-approved status paperwork with your selected lender in order to present a strong offer to a seller in order to bargain the very best deal to purchase your dream home.