

10 Mistakes You Can't Afford To Make

10 things to avoid in your home finances

Most of the time you get advice on the things you should do. But there are all kinds of things you shouldn't do. The following are 10 frequent financial mistakes that consumers routinely make -- and you should avoid.

Don't:

1. **Choose the Wrong Mortgage:** With the advent of instant refinancing, home loans are no longer the lifetime obligations they used to be. Still, you don't want to be saddled for even a short period of time with the wrong one. Investigate all your options, look at a side-by-side comparison and do the math, making sure to compare worst-case scenarios. Be sure to look at initial interest rates, future interest rates and payments (if different), and the possibility of prepayment penalties.
2. **Confuse "Pre-Approved" and "Pre-Qualified" with a Loan Commitment:** "Pre-Approved" & "Pre-Qualified" are not Loan Commitments. When you are "pre-qualified," the lender is making an educated guess about how much you can borrow based on information you've provided. When you are "pre-approved" or "conditionally approved" the lender has verified everything you have told him or her and is offering to lend you up to a given amount at current interest rates -- under certain conditions. Remember, a loan commitment is subject to an appraisal satisfactory to the lender, good title, a last-minute credit check, and other verifications. When meeting with lenders, always ask how they define each term and what additional steps will be required to obtain a loan.
3. **Have Too Much Credit:** Excessive credit is almost as bad as no credit at all or even bad credit. Even if you pay your bills on time, lenders tend to focus on how much credit you have available to you as they do on timeliness. So being up to your ears in car loans and credit cards is a sure way to be turned down for a mortgage. Postpone any big ticket purchases until after you buy your house.
4. **Lie on Your Loan Application:** Exaggerating your income on a mortgage application or putting down other untruths can be a federal offense. Lenders rarely prosecute liars. However, if they find out later, they can call your loan due and payable. Don't ever sign your name to a loan application that is not completely filled out, either. Loan officers have been known to stretch the truth to get a client approved, but it's the borrower who ends up paying the price, often in the form of monthly loan payments you can't afford.
5. **Hide If You Can't Make Your Payments:** The worst thing you can do is ignore phone calls and letters from your lender when you are behind on your payments. Lenders have many options at their disposal to help keep borrowers from losing their homes to foreclosure. However, they can't do anything for you unless they can talk to you about your difficulties. Lenders are the enemy only if you give them no other choice.

6. **Skip a Home Inspection:** Failing to make your purchase contingent on a satisfactory home inspection could be a costly mistake. Independent home inspectors examine houses from stem to stern. They'll be able to tell you whether the roof leaks, whether the mechanical systems are in good shape and how long the appliances may last. They can't report on things they can't see, but at least their trained eyes are better than yours. So don't pass just to save \$275-\$400; that's money well spent.
7. **Hire Just Any Agent to Sell Your House:** All real estate agents are not the same. Ask your candidates how they plan to market your house, what you can do to make the place more attractive to prospects and how much you should ask. If you don't like any of the answers, look elsewhere. And above all, stay away from relatives. Unless Aunt Bessie or Nephew Nick fit the description above, keep looking.
8. **Fail to Check Out a Remodeling Contractor:** Never, ever hire a contractor who knocks on your door or says his prices are good for only a few days. Reputable remodelers don't solicit door-to-door, and they don't cut prices just because they happen to be in your neighborhood. Check out a potential contractor thoroughly by calling several of his past clients, the better business bureau (www.phoenix.bbb.org), and the registrar of contractors (www.rc.state.az.us)
9. **Pay Too Much Upfront:** If a contractor asks for more than a third of the contract price as a down payment, chances are something's wrong. At worst, he's a scam artist who has no intention of returning after he cashes your check. At best, he's undercapitalized and can't afford to purchase materials on his own. Or, in between, he could be using your money to pay workers on another job. Never give a contractor cash, either.
10. **Burn Your Mortgage:** It's a wonderful feeling when you make your last house payment. After all, the place is now yours, all yours. Many people celebrate by holding a mortgage burning party. But they torch the original document. Don't. Make a copy and burn that instead. Keep all your loan docs in a safe place.