

Prospective Homebuyers Should Keep Holiday Spending To a Minimum

By J. Lennox Scott

With the continuation of low interest rates and an ample supply of homes to choose from, many prospective buyers are in the process of planning and saving money so they can buy a home in the coming year. If you're one of those people, it's important to remain focused on your finances and be prudent with your holiday shopping.

With the recent mortgage market meltdown and tightening of credit standards, your credit history is more important than ever. The last thing you want to do is reduce your chances of being approved for a loan by taking on additional credit card charges during the holiday season. According to the International Mass Retail Association, holiday shoppers will spend an average of \$863.00 on gifts this year—and many buyers will actually spend 15 to 30 percent more than this figure. During this time of year many people also feel pressure to open additional lines of credit or they run large charges on their existing credit cards. Either way, if you're looking to purchase a home in the coming year, be very cautious because those additional charges could end up being the barrier between you and homeownership.

One of the first steps to buying a home is getting approved for a home loan. When you go through the approval steps with your lender, they will request a credit score and report. Your credit score is a computer-generated number that indicates your ability and willingness to repay debt based on your credit record. Your credit score is one of the factors that a lender will consider when determining whether or not they will approve you for a home loan. Your credit score may also be used to determine the interest rate of your mortgage, something that can have a large impact on how much you pay during the term of the loan.

The key is that you must be able to show a pattern of wise money/credit management. This means that you need to keep credit card balances low and you must pay your bills on time. These are factors that will have a positive impact upon your credit rating. However, if you continuously charge to the maximum limits on your credit cards, even if that sum is not a large amount of money, this can adversely affect your credit score.

To avoid credit problems this holiday season, use cash to pay for gifts, or if you use credit, pay the debt off as quickly as possible. Also, avoid dipping into your savings; you will need that money for the down payment on your new home, as well as other related expenses, such as closing costs, taxes, recording fees, inspections, insurance, and moving services.

As you make your way through the holiday season be smart about your spending. Develop a holiday shopping budget by determining exactly how much you can afford to spend on each person—and do your best not to exceed it. Try to avoid shopping at the last minute because the stress can lead you to buy whatever you can find, regardless of

the cost. Keep close track of how much you spend and try to pay off all your holiday-related debt in January.

Ultimately, if you follow these tips your savings will stay in tact, your credit rating won't suffer, and you can have a very happy holiday season knowing that next year you'll be in an optimal position to achieve the dream of homeownership.

REALTOR[®] J. Lennox Scott is the Chairman and CEO of John L. Scott Real Estate. You can visit his Web site at www.johnlscott.com.

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For More Information Contact:

Shelley Rossi

Director of Public Relations

John L. Scott Real Estate

206-230-7627

shelleyro@johnlscott.com