

## HOW TO

# Recognize a Qualified Buyer

Offers can be exciting, but unless your potential buyer has the resources to qualify for a mortgage, you may not really have a sale. Your real estate professional will try to determine a buyer's financial status before you sign the contract. But it's good for you to know what buyers with follow-through potential looks like.

## They are prequalified—or even better, preapproved—for a mortgage.

Such buyers will be in a much better position to obtain a mortgage promptly.

## They have enough money to make a down payment and cover closing costs.

Ideally, buyers should have 20 percent of the home's price as a down payment and between 2 percent and 7 percent of the price to cover closing costs. If they plan to make a smaller down payment, they will need to purchase mortgage insurance, through either a government guarantee program or a private mortgage insurer. Their ability to provide earnest money in a timely fashion will be an indicator of liquid reserves.

## Their income is sufficient to afford the home over the long term, too.

Ideally, buyers should spend no more than 28 percent of their total income to cover the **principal, interest, taxes, and insurance** associated with the sale (often abbreviated as "PITI.")

## They have good credit, which they are monitoring and maintaining.

They will have recently reviewed their credit report and have actively worked to correct any blemishes or errors found.

## They're not managing too many other debts to take on a mortgage.

If buyers owe a great deal on car payments, credit cards, and other debts, they may not qualify for a mortgage.

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