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How Much Money Should You Borrow?

While it might be tempting to borrow whatever amount of money your lender is willing to give you, it's important to think carefully about how much you'll actually need to borrow in order to purchase a new home. From the down payment to taxes to insurance and interest rates, there are many factors to consider when making this important, life-changing decision.

Contrary to popular sentiment, there is no standard formula for accurately calculating the specific dollar amount you *should* borrow when purchasing a new home. Many websites do offer special borrower calculators that claim to factor in important variables, and yet final results vary vastly from one site to the next. Other websites offer general rules of thumb, suggesting that you should never borrow more than 2 1/2 to 3 times your gross annual income, or that 28%, 32%, or even 40% is the maximum amount of debt you should ever take on.

And, while these insights may be helpful as you begin thinking about the overall borrowing process, meeting with a reputable loan professional and getting yourself pre-approved (not pre-qualified) is really the only way to know the exact amount of money you can and should borrow. By getting pre-approved, you not only increase the chance of finding the perfect house for your needs, you also become a "cash buyer", instantly increasing your bargaining power.

As a mortgage professional, I see my role differently than a traditional loan officer. While my job is to match you with the best mortgage available for your specific needs, I feel that it's also my duty to make sure it's the most responsible product as well. After all, what if something unforeseen or unexpected were to occur? What if you have an accident or you lose your job?

Whether you choose to work with me or not, be aware. A lender will often offer you the maximum amount of money that you qualify for, whether you actually need the full amount or not. Because of this, it's vital to sit down with a professional you can trust to figure out your complete financial picture.

If you or someone you know could benefit from this type of free consultation, give me a call. I would be happy to assist you!

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