the homefinding process
Frequently Asked Questions

Question: We're in a competitive market. What can I do to make my offer look better than another buyer's offer?

Answer: It takes more than good luck to get the right home at the right price. One advantage you can have on your side is a conditional loan pre-approval. When you are pre-approved your offer is more attractive because the seller doesn't have to wonder if you can afford to buy. The seller will know in advance that your offer is as good as money in the bank.

- Pre-approval versus pre-qualification

A pre-approval is a conditional loan approval from a lender based on your application. Pre-approval differs from pre-qualification, which is a verbal exchange with a lender about how much you can probably afford. Pre-qualification does not obligate the bank to make the loan, whereas a pre-approval is a conditional loan commitment. Final approval is made when both your finances and the property pass review.

- Close the deal faster

Lining up your mortgage loan before you start house hunting could make buying your new home quicker and easier. A pre-approval can speed closing because most of the paperwork is already in place for the loan. You have already started to learn about the financing process, and any problems will have been resolved.

Question: What is earnest money?

Answer: Earnest money is a cash deposit buyers make when they sign a contract to buy a house. It signifies the intention of the buyer to complete the purchase. At closing, the earnest money becomes part of the down payment. If the buyer defaults without a good reason, as spelled out in the contract, the earnest money may become payment for damages suffered by sellers and their agents.

Question: What is a contingency?

Answer: A contingency is a condition on the sale put into the contract by either the buyer or seller to protect against specific eventualities. Examples of common contingencies are: a requirement that the buyer obtain financing or sell their current home; the buyer has a home inspection done; or the seller must repair certain items before settlement. Contingencies can be removed by an addendum to the contract, or they may expire if a time limit is specified in the contract.

Question: Which settlement expenses can buyers deduct on their taxes?

Answer: Some of the biggest costs at settlement are tax deductible in the year the home was bought. The loan fee or points, even if paid by the seller, as well as the pro-rated mortgage interest and property taxes, are tax deductions. Costs that are not deductible include attorney and recording fees, transfer taxes and termite inspection. The homeowner's property insurance is a personal expense, so it's not tax deductible. Consult your attorney or accountant for detailed information on which expenses are tax deductible.