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