5 Reasons to Talk to a Lender Before You Start House-Hunting

Most people don't see a lender before they start going to open houses and finding a realtor – but they should. Not only does this give you a realistic picture of the loans available to you, but it makes you more attractive to sellers and real estate agents alike. Here are five reasons you should get pre-approved for a mortgage before you begin the house-hunting process.

1. Setting realistic expectations

There's nothing worse than finding your dream house, then realizing that it's just outside your financial reach. Zero-percent down loans are a thing of the past (unless you qualify for a USDA or VA loan) and putting less money down can substantially increase your borrowing costs. Furthermore, getting an online quote is different than being pre-approved: you might find that lenders are harder to pin down than you think.

2. You can still shop around

Just because you're pre-approved for a loan doesn't mean you have to stick with that loan. You can continue to apply for other loans from other lenders – just be sure to collect your offers on the same day, since mortgage rates change every day.

For the sake of your credit score, remember to do all of your loan shopping in a two-week period. Typically, your FICO score gets dinged every time someone – like a lender – pulls your report. But when it comes to mortgages and other loans when you're expected to shop around, you have a "grace period" during which all the inquiries made count as one single inquiry.

3. Help catch sellers' eyes

Coming in with a pre-approved loan offer, whether you're talking to a realtor or a potential seller, proves that you're serious. Especially in hot real estate markets like San Francisco, you want to present yourself as hassle- and complication-free. You aren't "just shopping" – a seller can trust that you can actually sign the check.

4. Your cost to close may exceed your down payment

Remember that the first check you write is often greater than the official down payment. You'll probably have to pay lender fees (such as application or credit report fees), and may pay points, mortgage insurance, title insurance and more. While the seller often pays at least some of the closing costs, your share might be as high as 3-5% of the home value.

Talk to a lender beforehand to get a sense of how much you'll pay in points, mortgage insurance and loan fees, and verify that you have enough in the bank to cover these in addition to the down payment.

5. Paperwork: Soonest started is soonest finished

You'll need a lot of paperwork to complete the loan. Bank statements, years' worth of taxes, explanations of where your money comes from – it's easy to get buried in documentation. Starting the process earlier will help save you hassle when it comes time to close, and reduce the likelihood that the seller pulls out because of mortgage complications.