How to upgrade to a new house without selling the current one

SANTA CLARA, CA, US, December 7, 2021 /EINPresswire.com/ -- As someone who might be thinking of shifting from one place to another, it is pretty common to think about buying a new home before selling the current. This can be due to various reasons. Although many people end up selling their last house, there are still instances when people are attracted to buying first.

However, the real estate industry is rapidly changing and keeps enforcing new rules. This guide sketches the process to help the readers understand their options. The steps to follow beforehand and ways to upgrade have all been outlined below.
Steps to follow before deciding on the upgrade:
Before getting to the methods that can be used to upgrade to a new house, here are a couple of things to do that can be very helpful during the process.

> It is completely possible to upgrade to a new house without selling the current one; all you need is planning and timely action!"
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> *Sharad Gupta- Founding Member of YHSGR*

1. Set a budget and calculate a down payment

The first thing to do is get a financial advisor to help decide the budget. Keep the current savings in mind, together with the money that can be made by selling the current house, to reach a conclusion. Many buyers require a nonconforming loan, and lenders usually take up to 20% down payment on these. This is why it is good to look at all the assets to calculate the amount available for a down payment.

2. Conduct a thorough research

Keeping the budget in mind, look at available houses online or visit open houses to understand the needs and wants better. According to the preference, reassess the needs or go over the budget a couple more times.

3. Meet with real estate agents
If selling the current house can wait a bit, meet some real estate agents to get to know about the value of the property and their marketing strategy. Preferably, use the same real estate agent to buy and sell the houses. Seek their advice about how quickly the property can sell and if it needs repairs. This provides a fair idea of how early it is possible to buy a new house.

4. Investigate financing
Before buying a new home, talk to multiple lenders to understand their working better. Since there are many options available, the interest rates and fees vary. Secure all the data and choose a lender very carefully. Also, share the buying and selling plans with them since most lenders can tell pretty quickly if the strategy will work out or not.

Ways to upgrade to a new house before selling the current one
The next step is to talk about available options. There are a couple of methods that people usually use to buy a house before selling. Look at them here to understand which way will work out perfectly and then act upon it.

1. Get a bridge loan

With a bridge loan, homeowners can take out a loan against their current home to make a down payment for the new house. These loans provide financial support to the consumer, although the sum is typically tiny. If the borrowers end up selling their home, they can use the money to pay off the bridge loan, and now they'll only be left with the mortgage. However, it is essential to know that there is a term in which one has to sell the last house and pay the lender back. If they do not do this, they will have to make all three payments: the first mortgage, the bridge loan, and the mortgage to the new house.

One disadvantage is that their interest rates are usually between 8.5% and 10.5% because these loans are risky for the lenders. Besides the high interest rate, there is additional fees to be paid as collateral in the form of a house. This is why they're known to be more expensive than other methods. Despite this, the application process for bridge loans is much quicker than traditional loans. This is why bridge loans are quite a popular option for people who want funds in a specific time frame.

2. Acquire home equity loan

A home equity loan or a home equity line of credit allows buyers to get their current home's equity to make it easier to buy a new house. Just like a bridge loan, a home equity loan also uses the house as a form of collateral, but there’s one difference: the home equity is to be taken out before selling the house. They have a set repayment term just as mortgages do, and the borrower makes fixed payments whether they're principal or interest. The payment and interest rate of this remains the same over the lifetime of the loan.

In a home equity line of credit, access all or a part of the funds at any time during the draw period. This is because it works exactly like credit cards. In this, the draw period lasts up to 5 to 10 years, after which there is a repayment period. During this 10 to 20 years period, draws are not allowed.
One great thing about these is the ton of benefits. Home equity loans have lower interest rates and fewer fees in comparison to bridge loans. They can be used even after the house is sold, which makes it easier for people who have other expenses to handle during that time. This is a longer-term loan, and even if there are many years to pay off the debt, the cost will still be lower than the bridge loan. However, it is a form of debt. Thus, if the original home is not sold, one might have to pay the original and new mortgage together with a home equity loan- which can add up to quite a lot of money.

3. Make a contingent offer
Another option is to make an offer that's dependent on the sale of the house, meaning agreeing to buy the new property only when financing the last home. This makes it easier to buy a house and not lose any funding due to the inability to find a buyer. Walk away instead of purchasing a new home. The buyer can also have more power to negotiate the prices if the seller points out any faults in the house.
While this may seem like the perfect option for buyers, sellers don't often vibe with it. This is because it is very probable that the buyer's current property might not sell, due to which they could lose other potential buyers that were interested in their house. Therefore, if the seller has other offers present in hand, they'd lean more towards that instead of considering yours.

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