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Upon deciding on the id of securing a home loan and purchasing a house, the first thing that comes to any borrowerâ€™s mind is â€˜What amount should be borrowed?â€™ It is easy to come up with any an considering that every application will undergo evaluation by the lender before getting approved or turned down. But in most cases, simply having a good credit history and amount of savings can give one the loan approval that he or she needs.

â€œHow much can I borrow?â€• This question has plagued the minds of many borrowers. But how does anyone come up with the right answer to this make or break question? Figuring this one out requires the borrower to take a look at his or her circumstances, needs, ambitions and credit rating. This might sound like a lot of work but thereâ€™s no other way to do this but do some research and calculations.

Putting Things in Perspective

When you look at you own circumstance, you come to terms with how much you earn, how much you spend, your financial obligations and your savings. All these things are financial in nature, which means you are basically looking at your cashflow. What you want to do here is a mortgage that you can pay without putting strain on your budget. While it is tempting to ask your lender for a big amount, you have to keep in mind that should you be unable to meet your mortgage obligations, your mortgage will end up costing you moreâ€”a lot more. Late fees and other penalties will be added on top of your regular mortgage payments. The worst thing that could happen is default, which means you will lose your most expensive investment.

Another factor that you have to consider is the fluctuation of mortgage rates. When you take out a loan, your lender actually earns their profit through your interest payments and other related fees. When you sign up for a certain loan amount, be sure to allot some headroom for interest rates. Your mortgage loan will run for twenty-five to thirty years, which means there will definitely be some mortgage interest rate fluctuation before you manage to settle your debt. Undermining the cost of interest payments can lead you to securing a mortgage that would be expensive for your circumstance.

Your credit history will also play an important role in accordance to the interest you will be getting. If you have bad credit and you apply for a loan, your lender will have no choice but to deny your application or provide you with a mortgage product that has high interest rates.

You donâ€™t need to go anywhere else or ask the help of anyone to answer the question â€œHow much can borrow.â€• All you need to do is figure out your financial capacity and everyday expenses to know if you can comfortably borrow a certain home loan or not.

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