

# What You Need to Know About The MORTGAGE PROCESS

## What You'll Need to Qualify in Today's Market:

- ✓ **Downpayment:**  
Generally between 5-20% of the purchase price (40% of buyers are putting down less than 10% - with many putting down as little as 3%)
- ✓ **Income Verification, Credit History & Asset Documentation**
- ✓ **Impartial Third-Party Appraisal:**  
Your lender needs this to verify the value of the house you want to purchase.
- ✓ **Stable Income**    ✓ **Good Credit History**



You will interact with various **professionals** during the home buying process, all of whom are **valuable resources** & perform **necessary roles**.

## Steps To Take:



### Find out your current credit history & score.

You don't want to start out with any surprises.



### Start gathering all of your documentation:

Income Verification (W-2 forms, tax returns, employment), Credit History & Assets (such as bank statements to verify your savings)



**Contact a professional** to help you develop a spending plan & determine how much you can afford.



**Consult with your lender to review your income, expenses & financial goals** to determine the type and amount of mortgage you qualify for.



**Talk to your lender about applying for a mortgage & getting a pre-approval letter.** This letter provides an estimate of what you might be able to borrow (provided your financial status doesn't change) & demonstrates to home sellers that you are a serious buyer.



### Bottom Line:

Do your research, reach out to the professionals, stick to your budget & be sure you are ready to take on the financial responsibilities of being a homeowner.

Source: Freddie Mac



## DO'S AND DON'TS WHEN BUYING A HOME



While you are considering the purchase of your home, you should not do anything that will have an adverse affect on your credit score or employment while your loan is in process. We know it can be tempting. When you are moving into a new home, you might be thinking about purchasing new appliances or furniture, but this is really not the right time to go shopping with your credit cards.

You'll want to remain in a stable position until the loan closes and give us the opportunity to help you close your loan as smoothly as possible.

### **DON'T APPLY FOR NEW CREDIT OF ANY KIND**

You will receive invitations to apply for new lines of credit, do not respond. If you do, the company will pull your credit report and this could have an adverse effect on your credit score. Likewise, don't establish new lines of credit for furniture, appliances, computers, fences, etc.

### **DON'T PAY OFF COLLECTIONS OR CHARGE OFFS**

Once your loan application has been submitted, don't pay off collections unless the lender specifically asks you to in order to secure your loan. Often times, paying off old collections will cause a drop in your credit score.

### **DON'T CLOSE CREDIT CARD ACCOUNTS**

If you close a credit card account, it can affect your ratio of debt to available credit which has a 30% impact on your credit score. If you really want to close an account, do it after you close your mortgage.

### **DON'T MAX OUT OR OVER CHARGE EXISTING CREDIT CARDS**

Running up your credit cards is the fastest way to bring your score down and it could drop up to 100 points overnight. Once you are engaged in the loan process, try to keep your credit cards below 50% of the available credit limit.

### **DON'T CONSOLIDATE DEBT TO ONE OR TWO CARDS**

Once again, we do not want you to change your ratio of debt to available credit. Likewise, you want to keep beneficial credit history on the books.

### **DON'T RAISE RED FLAGS TO THE UNDERWRITER**

Don't co-sign on another person's loan, or change your name or address. The less activity that occurs while your loan is in process, the better it is for you.

### **DON'T CHANGE ANYTHING ABOUT YOUR CURRENT EMPLOYMENT**

Changing jobs, being laid-off or taking medical leave can adversely affect your mortgage. Lenders verify your employment on the day of closing. If your employment status changes, please consult your loan originator right away.

### **DO STAY CURRENT ON ALL EXISTING ACCOUNTS**

Late payments on your existing mortgage, car payment, rent or anything else that can be reported to a credit reporting agency and can cost you dearly. One 30 day late payment can cost you 30-75 points on your credit score.

### **DO CONTINUE TO USE YOUR CREDIT AS YOU NORMALLY WOULD**

Red flags are easily raised within the scoring system. If it appears you are diverting from your normal spending patterns, it could cause your score to go down. For example, if you've had a monthly service for Internet access billed to the same credit card for the past three years.

### **DON'T DEPOSIT LARGE SUMS OF CASH**

Do not deposit large sums of cash into your accounts unless you can provide documentation and a complete paper trail. If you have any deposits that are not related to payroll, tell your loan originator right away.

### **DON'T DEPOSIT GIFT MONEY**

Make sure you speak to your loan originator before receiving, depositing or using any gift money. It is very important to follow the proper procedures.

### **DO CALL YOUR LOAN ORIGINATOR**

If you receive notification from a collection agency or creditor that could potentially have an adverse effect on your credit score call me so we can try to direct you to the right resources and prevent any derogatory reporting to credit bureaus.