



How to Apply for a Mortgage

At first, you were just "taking a little drive to see what's out there." Then you started showing up at open houses. Now you have a real estate agent representing you as a potential home buyer. So things are getting serious as you move closer to finding that perfect house for you.

What's next on the agenda? Getting pre-approved for a mortgage loan. Sounds intimidating, but once you get over the hurdle you'll be financially prepared to make an offer on your dream home when it comes along.

Note: It's important to find out how much you'll be approved for BEFORE you start making offers. This way, the seller of the home will know that you're serious about making this purchase.

6 Steps to Getting a Mortgage Approval

1. Find out your credit score.

There are three major U.S. credit bureaus who have this information on file: Experian, Equifax, and Trans Union. Each uses their own score model, so you'll find that your credit score varies slightly from one to the next. In order to obtain your score, you must provide your social security number and other personal information. Thus, it pays to be sure that the company you're divulging this information to is legitimate and trustworthy. As of 2007, a reliable website where you can obtain your credit score for free is <https://www.annualcreditreport.com>.

2. Decide on a lender.

Unfortunately, "sub-prime lending practices" are having an impact on the housing market at this time. Banks are now being extra careful to weed out candidates who fall into the red zone and could potentially default on their mortgages. Even so, every person and situation is unique, so it pays to shop around and find out what you qualify for. There are still many solutions to obtaining a mortgage that best suits your needs.

One option is to visit <http://lendingtree.com> and get on their mailing list, upon which you will be contacted via email and phone by competing smaller banks. If you don't feel comfortable doing this, you can always call your financial institution or one that has been referred to you by a friend or family member. Another option is to select a well-respected bank in the area - all of the major banks have mortgage departments. Finally, you might try Wells Fargo or Countrywide Financial - two of the biggest mortgage lenders in the country.

3. Speak to a home mortgage consultant.

You can do this either by phone, or by meeting with a mortgage specialist in person at your bank. If you do it by phone, simply get connected with the mortgage department and explain that you'd like to inquire about a possible mortgage loan. During the initial conversation, the home mortgage consultant will ask you questions about your current income, savings and assets, credit history, the locale where you're looking to buy property, and the approximate price of the home you're interested in.

At this time he will try to "get a read" on what type of borrower you will be, based on the information you provide and your "nonverbal cues." (For example, if you waiver and falter when responding to inquiries about your credit, the mortgage consultant might assume that you have a spotty record.) After he makes a general determination of your credit potential, he will approximate an interest rate that you could feasibly qualify for and then calculate an estimated monthly payment. He will also go over items like closing costs, property taxes and insurance. From here, your loan application will be processed by the financial institution.

4. Review your mortgage application.

Approximately 1 to 2 weeks after speaking with your home mortgage consultant, you will receive a packet in the mail that includes a letter, credit score results and an explanation of the factors that contributed to your score, as well as a Good Faith Estimate of settlement costs and Truth In Lending disclosure. The good faith estimate is just that - an estimate. Since you don't know exactly how much the home that you'll be buying will cost yet, you can't expect that these numbers will be accurate. The purpose is to give you an idea of the monthly expenses you'll be incurring.

If you "pass" the initial credit review, you will be asked to provide proof of employment including pay stubs, W2s and bank statements. Self-employed persons must provide a current balance sheet, profit and loss statement, and copies of federal income tax returns. There is also something called a "no docs" loan where you don't have to provide proof of income, but if you opt to go that route you'll be paying a higher interest rate. Speak to your mortgage consultant about this.

5. Review your credit approval letter and related materials.

Study your loan application and related paperwork carefully. If there is anything you need explained further, give your mortgage specialist a call (the number will be listed right on the letter and pre-approval notice). There are several spaces for your signature on these forms, but you don't need to rush this part of the process until you find a house that you're ready to make an offer on. When that day arrives, you will discuss the price of your home with the mortgage specialist, fill out the forms with your contact information and all other pertinent details, sign and fax to your mortgage company.

6. Determine if you can feasibly afford this amount per month.

Now is a good time to do a bit more research on things like closing costs, escrow accounts, fixed versus ARM (adjustable rate mortgages) and other items that you may not be familiar with. Do your house hunting homework; find out what the tax rate is in the area where you're looking. Estimate your monthly expenses for things like heating bills, electric, cable, garbage pickup and so forth. Remember also that you will be filling your new home with furniture and supplies - cleaning items, landscaping equipment, appliances and everything you need to live.

If, after all this, you feel sure about your future as a home owner and mortgage lende, then give yourself a pat on the back for getting this far. Now go out and find that perfect house that feels like home to you!

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