

5 THINGS TO REMEMBER WHILE APPLYING FOR A MORTGAGE

Brought to you by Kathy Edmondson, AIME Member

- Do not open new credit cards, apply for additional loans, or increase credit limits. Ignore free offers for credit or department store discounts.
- Any activity on your credit will need to be explained, documented, and may affect your loan approval.
- All deposits into your bank accounts (other than payroll) are questioned during the process and will need to be documented.
- Continue to pay your bills on time throughout the mortgage process.
- Notify your broker if changes with your income/employment, assets or credit situation occur.



MORTGAGE PRE-APPROVAL

WHAT YOU NEED TO DO

ADDRESSES

Be prepared to provide 2-year residents history and proof of payment, if applicable.

PROOF OF INCOME

- Wage Earner: Be prepared to provide 2-years of employment history through W-2's and pay stubs.
- Self-Employed: Be prepared to provide 2-years of tax returns.

DEBT-TO-INCOME (DTI) RATIO

Your DTI should be within program guidelines. For more information, contact your broker.

EMPLOYMENT VERIFICATION

Employment will be verified before closing.

PROOF OF ASSETS

Discuss minimum downpayment requirements with your mortgage broker, which will be accompanied by 2-months of bank statements.

CREDIT PULL

Your broker will ask for your social security number and permission to pull your credit reports.



CREDIT FACTORS

- 35%** **PAYMENT HISTORY:** Whether you've paid past credit accounts on time.
- 30%** **AMOUNTS OWED:** The total amount of credit and loans you're using compared to your total credit limit, also known as your utilization rate.
- 15%** **LENGTH OF CREDIT HISTORY:** The length of time you've had credit.
- 10%** **NEW CREDIT:** How often you apply for and open new accounts.
- 10%** **CREDIT MIX:** The variety of credit products you have, including credit cards, installment loans, finance company accounts, mortgage loans and so on.



THE HOME BUYING PROCESS



LOAN PRE-APPROVAL

The pre-approval process may take around one to three days. After you're pre-approved, you receive a pre-approval letter as evidence that you have a loan officer that has already verified your assets.



HOME SEARCH

Work with a real estate agent to find a home and make an offer.



LOAN APPLICATION

The mortgage application is extensive and contains information including the property being considered for purchase, the borrower's financial situation, as well as employment history.



APPRAISAL & HOME INSPECTION

A home appraisal determines the value of the home while a home inspection determines the condition of the home.



PROCESSORS & UNDERWRITING

Processors prepare your mortgage application and other paperwork and deliver it to the mortgage underwriter. The underwriter will determine if you're eligible for a loan.



FINAL LOAN APPROVAL

The lender has reviewed your signed documents, re-pulled your credit, and verified nothing changed since the underwriter's last review.



CLOSING DOCUMENTS PREPARED & SIGNED



LENDER FUNDS LOANS



CLOSE OF ESCROW & ESCROW COMPANY DRAFTS CHECK TO SELLER