

# How to Get a Mortgage in Today's Economy

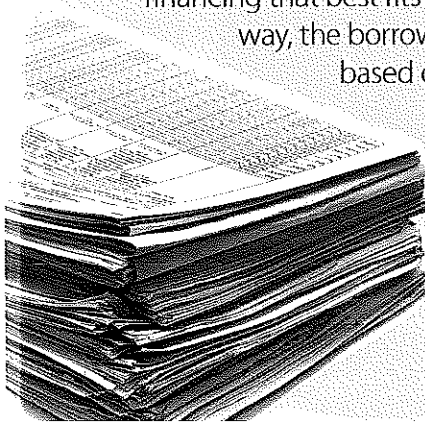
Although mortgage rates are historically low, potential buyers are still nervous about financing their home purchase. Many potential borrowers are unfamiliar with the process and may be intimidated by it. However, with the right guidance, most people will find a mortgage that fits their needs as well as a better understanding of how their home purchase fits in with their financial plan.

## Lenders are more cautious

Lenders have become more cautious about lending to potential borrowers, and many require more documentation than they did in the recent past. This documentation may include:

- **W-2s for the previous few years**
- **Bank or asset statements and pay stubs for a certain period of time**
- **1040s if the borrower is self-employed or has received other income**

Many people may be overwhelmed by the amount of paperwork they have to produce up front; however, it allows the mortgage originator to verify the information, research all of the lending options available and find the financing that best fits the borrower's goals. That way, the borrower gets a pre-approval based on real numbers, not a pre-qualification based on estimates. This research will also uncover any potential problems that need to be corrected in order to lock into a great interest rate.



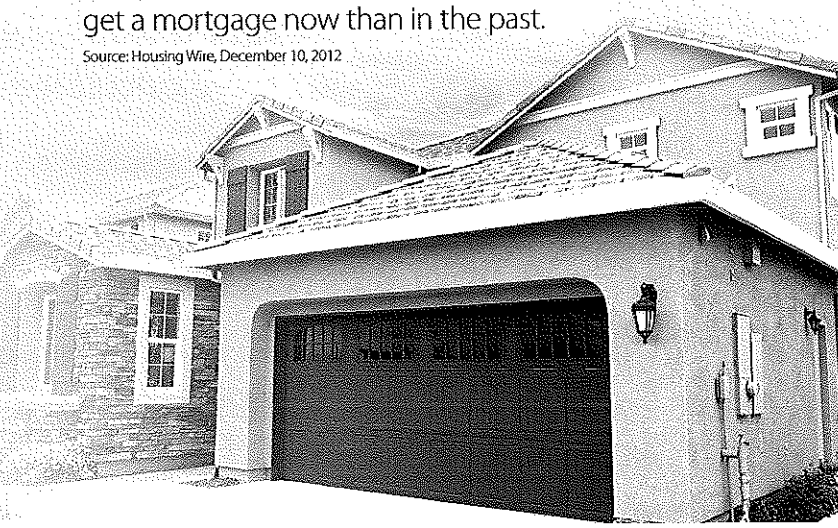
## A mortgage is a part of your financial plan

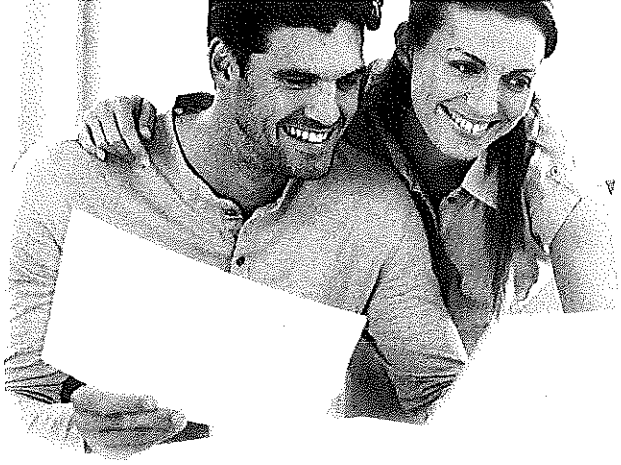
A house is the biggest purchase that most people will make in their lifetimes; one that will also impact their long-term plans, such as retirement, their child(ren)'s education and even their ability to cover unexpected expenses. Taking on a mortgage has an impact on lifestyle as well. Most buyers want to maintain their quality of lives once they're homeowners, so it only makes sense to consider how a mortgage payment will fit into one's long-term goals *and* lifestyle.

Source: What's Your Rate?, Mark Malocca (2012)

**51%** of Americans surveyed find that it's easier to get a mortgage now than in the past.

Source: Housing Wire, December 10, 2012





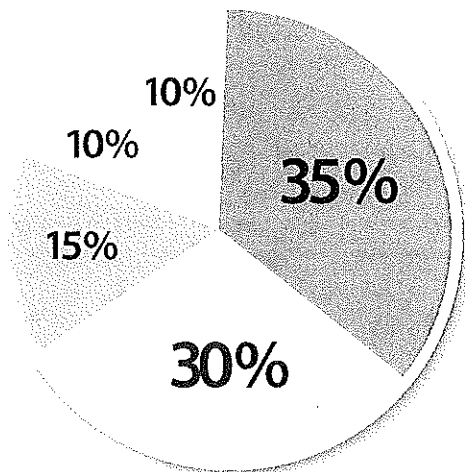
# 7 Essential Steps that Will Help You Find the Best Mortgage

Follow these steps to get the mortgage that best fits your financial picture:

- 1. Learn about mortgages.** The more you know about mortgages and what's going on in the current market, the better equipped you'll be to decide on the right terms for your situation.
- 2. Review your credit report.** Get a free copy of your credit history by typing [annualcreditreport.com](http://annualcreditreport.com) directly into your address bar. Make sure everything is correct, from your name and address to your open and closed lines of credit.
  - **Reduce your debt** and pay down any lines of credit that have high balances.
  - **Pay your bills** on time.
  - **Don't open or close** new lines of credit.
- 3. Take control of your finances.** It can take the credit bureaus more than 60 days to reflect changes to your credit report, so the earlier you begin to improve your credit, the better.
- 4. Figure out how much house you can afford,** and set a budget that is within your means. A common measure of this is typically equal to about two-and-one-half times your annual salary.\*
- 5. Save for a down payment.** While it's best to save enough for a down payment of **20%**, there is financing available for borrowers who plan to put down less.
- 6. Put away a little extra money** to cover fees or unexpected expenses. Also, some lenders may want to ensure that you have enough money saved to cover at least six months of mortgage payments.
- 7. Get pre-approved.** Before you start looking at houses, get approved for a fair mortgage rate. This may put you in a better position when it comes time to put in an offer and may give you an advantage if you're competing with others for a home. Plus, it'll help you look for houses within your budget.\*

\*Source: CNN Money

## How is your credit score calculated?



### How is your credit score calculated?

- 35% Payment history
- 30% Amounts owed
- 15% Credit history
- 10% Inquiries, new credit lines
- 10% Types of credit in use

**762:** The median FICO score for all conventional purchase mortgages closed in September 2012\*

**701:** The median FICO score for FHA purchase mortgages in September 2012\*

\*Source: RISMedia

