FREE REPORT:

Five Common Missteps When Applying for a Mortgage

You've probably heard that applying for a mortgage loan is much more difficult now than it has been in years past. And for good reason. As we come away from years of predatory lending and a glut of foreclosures and short sales, let's just say our industry has (hopefully) learned some hard lessons. Underwriting has undergone serious scrutiny, making restrictions and rules much tighter than they've ever been. That's not to say it's all bad, and there certainly are great loans and incredible rates to be had. If you're looking to apply for a mortgage, here are five missteps to avoid in order to streamline the process and increase the odds of having a smooth experience and securing a better rate.

1. Applying for other loans. Your debt-to-income ratio is a crucial factor when applying for a mortgage. Applying for a new car loan, a line of credit or even student loans while you're going through the mortgage approval process can slow you down or even stop you in your tracks. Put all other loans on the back burner until AFTER you've closed on your mortgage loan.

2. Living on credit. Carrying too much credit card debt is one of the biggest stopping points in the mortgage loan approval process. Just as new loan applications can affect your credit score and debt-to-income ratio, high credit card balances and maxed out charges hurt your buying ability in a big way.

3. Missing or late payments. Did you know that your payment history accounts for 35% of your credit score? It's the top factor in assessing your risk level. When shopping for a loan, be sure that you are paying your bills ON TIME and not missing even one. Believe it or not, it can and WILL make a difference.

4. Changing jobs. Employment stability is a HUGE factor when applying for a mortgage. Lenders want to see steady employment (and income!), typically for a minimum of two years. If you change jobs and move UP in income level, you may have less of a problem, but switching and downsizing your position could shift approval decisions in an unfavorable way.

5. Spending your savings. You'll more than likely need a sizeable down payment for your new home purchase, and lenders like to see that you have a little cash reserve when assessing your risk and ability to maintain your mortgage payments. Avoid pricey purchases and frivolous spending to give yourself the best chance at a favorable loan.

Carol Ellis, Realtor®

If you are looking to buy or sell in the near future, remember that knowledge is powerful in making the right decisions for you and your family. I can help provide whatever information you need to ensure you get the best return for your investment.

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