

Tips for Getting a Home Loan

Buying a home and getting a home loan can be a real scary process. I've worked with buyers for years and would like to share with you some tips to make the loan process work for you.

Three Typical Buyer Questions

1. How do I qualify for a loan? Start by meeting with a lender. The lender will help you explore options for financing a home.

2. How do I select a lender? Call two or three different lender, conduct a short telephone interview and then make an appointment with the one that makes you feel most comfortable.

3. How does the lender determine my loan qualifications? A general guide, you can purchase a home valued at two to three times your annual income. The lender will also consider your savings and debts.

There are programs for buyers with credit issues. Ask the lender what is best for you.

When should I call a Realtor? Meet with a lender first to determine your loan qualifications.

1. Get a pre-qualify letter.
2. Conduct a brief telephone interview with two or three Realtors.
3. Select the Realtor that makes you feel most comfortable.
4. Make an appointment.
5. You may be asked to sign a buyer agency agreement. It's fine to sign a short term agreement.
6. Before you sign a long term agreement, be sure you're comfortable with the Realtor.

Your first meeting with the Realtor.

Be open minded. Make a list of features you'd like in your home:

1. How many bedrooms?
2. Do you need a garage?
3. How far do you drive to work?
4. Do you have animals?

5. ... and so forth.

If you give the Realtor definite parameters; they can find a house for you. Your first meeting with a lender

Your lender needs to know everything about your finances. The following is a list of information you'll need to take with you:

- Salary and bonuses.
- Employment verification.
- Two years of tax returns or W-2 forms.
- Military history.
- Amount of dividends and interest income.
- Other regular income such as alimony, child support etc.
- Current bank statements both checking and savings.
- Market value of stocks, bonds or Certificates of Deposit.
- Face amount and cash value of life insurance policies.
- Value of personal property and automobiles.
- Balances and account numbers for loans, credit card balances and personal loans.

Four types of loans:

- 1. Fixed Rate** - the interest rate stays the same over the life of the loan.
- 2. Adjustable/Variable Rate** - the interest rate can change during the life of the loan.
- 3. Government Loans** - VA and FHA.
- 4. Bridge/Swing Loans** - Short term loans that are paid off quickly.
Which one is right for you?

Many factors enter into the selection of a loan:

- Your financial circumstance.
- Expectation of future financial changes.
- How long you intend to hold the property.
- How comfortable you are with the monthly payment.

- How comfortable you are with the payment amount changing from time to time?

Discuss your preferences with the lender and the Realtor.

What does my loan payment include?

P includes payment on principle amount

I includes payment on the interest

T may include payments into an escrow account to pay taxes

I may include payments into an escrow account to pay insurance

How much do I need for a down payment?

Down payments vary. They can be anywhere from zero to twenty percent of the homes value. Veterans and active military may obtain a loan with zero down.

What does the lender need to know about my credit?

If you have had credit problems, discuss them with your lender. Bring written explanations of credit issues. If problems have been corrected and credit reestablished, you'll probably be fine. Credit problems no longer mean you're unable to get a loan.

How long will it take?

Your lender needs to verify all information. The process may take from one to six weeks. Within three business days after application the lender must provide you with a "Good Faith Estimate", which is the amount of closing costs you'll be expected to pay and an estimated monthly payment. Stay in touch with your Realtor and Lender. Do not be afraid to ask questions. Home buying can be unnerving; ask the professionals what to expect.

Terminology

FHA Loans - Federal Housing Administration loans are government insured

loans. They allow you to buy with a small down payment.

VA Loans - Veterans Administration loans are available to veterans and active military. A VA loan may require no down payment.

Balloon Payment - A payment that calls the entire loan due in a short period although the loan may be amortized over a longer period of time.

APR - The actual cost of a loan as a yearly rate.

Appraisal - An estimate of the value of the home, made by a professional appraiser. The maximum amount of the mortgage is generally based on the appraisal.

Interest - The sum paid for borrowing money.

Origination Fee - The fee charged by the lender to prepare all the documents.

Points - Prepaid interest on the loan, charged at the time of closing. Each point is one percent of the loan amount.

PMI - Private Mortgage Insurance is an insurance policy the borrower buys to protect the lender from non-payment of the loan.

Title Insurance - An insurance policy which insures you against errors in the title search, guaranteeing you and the lender your financial interest in the property.

Hopefully this will help take the confusion out of the home buying loan process.