

5 Steps to Obtaining a Mortgage

Today's stricter lending environment means that processing a mortgage application is more complex than ever, given the number of steps that lenders, underwriters and mortgage insurers must all complete before home buyers truly have their financing in place.

To help ensure the process goes smoother, you can also take steps of your own. It's a good idea to discuss the process with your Realtor, even before shopping for homes. By planning ahead, you'll be in a much better position to negotiate and move forward on a purchase – and avoid any unpleasant surprises regarding your mortgage.

1. Evaluate Affordability

Lenders look at a variety of factors, but the two most important are your monthly mortgage payment and your total debt load, relative to your gross income. As a home buyer, it's also important to consider additional expenses, beyond your mortgage payment, that can impact how much home you can afford. Depending on your situation, these other expenses could include property taxes, mortgage insurance, homeowners insurance, home maintenance expenses, homeowner association fees and utilities.

2. Discuss Your Options

Deciding what type of mortgage is best for you depends on your personal situation, your financial scenario, and your future plans. For example, if your down payment isn't large enough to qualify for a conventional loan, an FHA mortgage can be an excellent option. Alternately, you may qualify for an attractive program offered at the national or local level. Mortgage programs are always changing, so ask your Realtor about current options.

3. Interview Lenders

Your Realtor can provide several recommendations, based on past home buyers' experiences. Rates and fees are typically very competitive between lenders, so it's often more important to focus on other factors, including the level of service provided and how well they've executed transactions for other buyers. The type of mortgage you are seeking may also impact your choice of lender, since some are more familiar with certain mortgage programs than others.

4. Get Preapproved

Completing a loan application with one or more lenders will help confirm whether your intended mortgage financing plans will work out as hoped, or if you must modify your plans. It's important to understand since preapprovals are contingent upon the lender receiving full documentation, your preapproval does not guarantee that you have a mortgage. Still, it's an important first step that will also put you in the best negotiating position with sellers.

5. Commit to a Lender

As soon as you are under contract to purchase a home, commit to working with one lender to complete your mortgage application. You will probably be charged a fee at this point because this is when the lender starts incurring processing expenses on your behalf. Show your lender that you are serious about working in partnership with them by submitting all the required documentation as quickly as possible.

Following these five steps will greatly improve your results in getting a mortgage. Count on your Realtor to provide more detailed information on each step in the process and answer any questions you may have.

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