

## 12 Mortgage and Loan Tips

A Mortgage or Home Loan can vary due to a variety of factors, including but not limited to:

- The Amount Borrowed;
- The Interest Rate;
- The Type of Mortgage (fixed or adjustable)
- The Term of the loan (number of years)
- Down Payment
- Closing Costs
- Real Estate Taxes
- Homeowners Insurance
- Private Mortgage Insurance (if applicable)

The following advice is given by the U.S. Department of Housing and Urban Development when applying for a Mortgage.

- Read and understand everything before you sign any closing paperwork.
- Do not sign any blank documents.
- Don't overstate your income, assets or understate your debts.
- Accurately report your debts.
- Never falsify your income tax returns.
- If you are receiving a gift, be truthful about it.
- Be honest in your reporting of credit problems both present and past.
- Be honest in your intent to occupy the house.
- Never provide false documents.

I.) How to Improve Your Credit Rating.

A.) It Can Be Done.

- B.) Be sure to order copies of your credit reports from Equifax, Experian and Trans Union. Lenders will access these credit bureau's in order to ascertain the credit worthiness of anyone applying for credit and most specifically, a mortgage. Review these credit bureau's carefully.
- C.) View your public records and work at satisfying the liens and judgments found there.
- D.) Correct any errors that appear within your credit profile, credit cards that don't belong to you. Eliminating creditors and judgments that are older than seven years.
- E.) Avoid shopping for credit or loans. This produces inquiries on your credit bureau that can have a negative impact on your credit score. Multiple access by lenders of your credit report can imply that you are in need of a lot of credit and may require explanations by the lender.
- F.) Close any unused or unnecessary accounts. Avoid closing them all off at the same time. Ideally one should have no more than 4-5 credit cards.
- G.) It is Ideal to spread out the debt. If you have 4-5 cards and one is near the credit limit it is better to spread the balance out amongst those cards. Your credit score would improve if you maintain balances that are no more than 75% of the credit limit.
- H.) Avoid credit counseling agencies or debt-restructuring companies. Most lenders look at these companies negatively and compare them as to being one step removed from declaring bankruptcy.

**The number one thing that you can do is to pay your bills on time.**

## II.) REMEMBER THE OLD AXIOM!!

If it sounds too good to be true, it usually is. If you see that a company is offering an interest rate that is much lower than the competition, you should ask yourself why.

### III.) GOOD FAITH ESTIMATES – GET ONE!!

Pursuant to the Real Estate Settlement Procedures Act (also known as RESPA) the company that you applied with has 72 hours to mail, e-mail or fax you the disclosures pertaining to the loan that you applied for. With today's technology you should be able to ask for a Good Faith Estimate to be e-mailed or faxed to you the same day.

A Good Faith Estimate is exactly that, it is an estimate provided in good faith by the lender/broker with whom you have applied for financing with. This estimate is the only way to compare closing costs with that of another lender/broker and should show all of the costs that are associated with obtaining your new loan. In addition, it should show the interest rate that you were quoted.

Understand that you are responsible to pay those fees listed on the Good Faith Estimate.

Beware of statements like “no points, no closing costs” or “no cost to you.” This brings us back to the “OLD AXIOM.”

In our experience no cost to you means that the lender has increased the loan amount to include the closing costs.

“No Points, No Closing Cost” loans are available in the industry, but don't compare your interest rate to that of someone who is getting the same loan but is paying their closing costs out of pocket or rolling them into the loan. In this case generally the higher interest rate you receive is the reason why there are no costs with the loan.

### IV.) Private Mortgage Insurance

In some cases private mortgage insurance is the only way you can qualify to receive a loan. Private Mortgage Insurance is issued whenever someone borrows

more than 80% of the value of their home on a single loan. You should explore whether a 1<sup>st</sup> and 2<sup>nd</sup> mortgage combination that is used to avoid private mortgage insurance is financially sound. Does it save you money monthly? If you had just one loan instead of two, how long would it be before your home's value would appreciate enough to eliminate the private mortgage insurance? It is important to remember that once you reach 20% equity in your home, you can contact your mortgage company to eliminate the private mortgage insurance you are paying.

## V.) Lock your Rate

Locking your interest rate is important, if you are satisfied with the rate you have been quoted, be sure to ask how long it is good for and most importantly get it in writing. Your rate lock confirmation should specify the interest rate, the lock period and the program that you have applied for.

## VI.) Pre-payment Penalties

Some loans, including many sub-prime loans contain pre-payment penalties. It is important to ask if the loan carries one and to get specific as to the terms and conditions of the penalty itself. While shopping for a loan mostly entails people asking about the rate, it should also be stressed to question the terms and conditions of the pre-payment penalty. I.E. a 2 year adjustable mortgage at 7.75% with a 2 year pre-payment penalty compared to a 2 year adjustable mortgage at 7.5% with a 3 year pre-payment penalty.

## VII.) Quick Loans – Quicker Loan Officers

Perhaps you've heard this, perhaps not. Often times borrowers are told that they will have their loans closed within 1-3 weeks and they are told not to make payments on any existing bills in anticipation of the new loan paying them off. This is very dangerous to do because it puts your credit at risk. If there is a delay and your mortgage and other bills are paid late, it affects your credit rating. Often times these mortgage lenders/companies will require an updated credit report to verify that the bills are still being paid on time and then you may be required to pay

higher fees, you may receive a higher interest rate and this is due to the loan officer telling you not to pay your bills. **ALWAYS PAY YOUR BILLS ON TIME.**

## VIII.) Up-front Fees

Up front fees come in many shapes and sizes. Application fees, credit report fees, appraisal fees. Make sure you get the exact amount and what it is going to be used for, if it is to be credited towards your closing costs it should show on the aforementioned Good Faith Estimate. See the Attached Copies of Good Faith Estimates to see how they differ.

## IX.) Get Pre-approved

Before buying your next home, get pre-approved for your mortgage before or during the house hunting process. You will have much more negotiating power with the seller of the home you would like to buy if they know that “you have the money.” This can save you thousands of dollars on the purchase price of the home or perhaps the seller will be willing to pay your closing costs.

## X.) Refinancing

Depending on the reasons you are refinancing make sure that the Good Faith Estimate shows that you are a.) paying off the bills you wanted to; b.) getting that cash out of your home that you were looking for; c.) getting the interest rate that you were quoted (get a rate lock); d.) or if it is a rate/term refinance and you are getting no cash back, receive a break-even analysis that shows how many months it will take you to recover the costs of the closing through the monthly payment savings (principal and interest).

## XI.) Be Prepared

Provide your mortgage lender/company with the documents that they have

requested in a timely manner. Remember that even though you have a rate lock and a good faith estimate that were provided to you, generally they are only valid for the term of the rate lock itself. Be proactive and deliver what is requested expeditiously. If the rate lock expires due to your inability to provide the items requested within the time frame, you could pay higher points and fees.

## XII.) Shop for Rates on the Same Day

Remember, interest rates change every day, so to compare apples to apples, be sure to get your loan quotes on the same day. Even an eighth of a point in interest rate can mean thousands of dollars in savings over the life of your loan.

This E-book was provided as a courtesy by: [Advise U Mortgage, LLC](#).