

The Daily Communicator™

An Article of Interest Five DOs FROM MORTGAGE EXPERTS

Here's the good news: More people than ever can buy a home.

Now for the bad: It's going to take a lot of patience, restraint and some careful planning to get there. That loan officer sitting across the table won't look kindly on the new Lexus you bought or the stack of credit-card bills on the kitchen counter. And if you've only managed to put away \$1,000 in savings by then, it'll be time to forget about the \$300,000 beach house.

To pull the purchase off, try heeding some of the guidelines below that our experts suggest. It may not always be fun, but doing so will help get you where you want to go.

Pay your bills on time. There is no single element that can so dramatically impact the success of an application as your credit history. Another thing is savings. People should have a good, disciplined savings pattern. That's the kind of behavior that's going to make them a successful homeowner.

Everybody comes into the real estate market with a different perspective and level of experience. Here are some general rules that apply to pretty much anybody when it comes to getting the money to buy a home. So here are some of the dos that buyers will want to consider.

1. Make loan and other debt payments on time, especially over the months leading up to the filing of your mortgage application. It sounds simple, but every 30-, 60- or 90-day delinquency on a loan or credit card is going to reduce the credit score the lender ends up considering as part of the loan file. That score, in turn, will determine how good a loan you get — if you get one at all.
2. If something has to be missed, miss the credit card payment first, followed by the payment on any installment loan you might have and finally, the payment for an existing mortgage. That's because credit-scoring systems look at the performance of similar loans first when deciding what type of score to assign. It will give the most weight to the performance of another mortgage, for example, then the performance of something like an auto loan, which features fixed payments and a fixed rate the way many mortgages do. Lastly, it would evaluate the payment performance of so-called "revolving" loans, such as credit cards, which feature variable payments that fluctuate with the outstanding balance. If you had to prioritize — and we would hope you wouldn't be in that situation — pay your mortgage loans, pay your installment loans, pay your revolving loans.
3. Consider paying off more debt and putting down a smaller amount at closing. The move leaves borrowers with larger mortgages, but it will allow them to replace non tax-deductible, high-interest rate debt with lower-rate mortgage debt that features deductible interest. Borrowers are putting less equity in their homes, borrowing more against the homes and paying off consumer debt, at least for a while.
4. Get the mortgage first if multiple financial obligations are going to pop up in the near future. Numerous credit inquiries, such as new applications for credit cards, can hurt a borrower's credit score, especially if they're filed in the months prior to the home loan review process.
5. Increase the size of the down payment you're able to make by saving as much as possible, as often as possible. Don't put the savings into something volatile, such as an individual stock. But evaluate money market or other accounts that offer reasonable rates of return, automatic payroll deductions or other financial incentives to save. It's important to take a portion of each month's income and set it aside for the down payment.

While these are all good steps to follow, borrowers have to think of what they shouldn't do as well. Resisting the temptation to splurge or slip-up in the credit arena is at the top of the list.

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