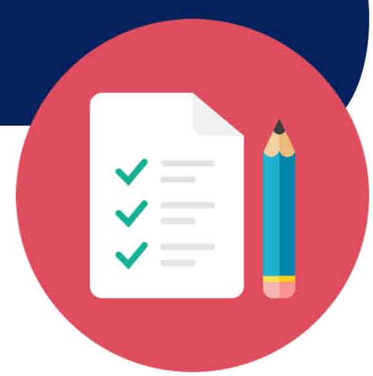
How To Make the Mortgage Process EASY

Use this cheat sheet guide and checklist to make your mortgage process smoother and less stressful!

- How mortgages really work *(behind the scenes)* and what to do to make your mortgage process stress-free...
- What you need to know to qualify with today's tight credit requirements...
- How to get a low rate no matter what lender you work with...

INCLUDED: Use your Mortgage Process Checklist to ensure you never miss a step!



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How mortgages REALLY work, and what to do to make your mortgage process stress-free

Most borrowers get frustrated sometime during the mortgage process - whether it's because of all of the red tape, the seemingly endless requests for documentation, or because the process just seems to drag on-and-on. Most of these frustrations can be avoided if you understand the reasons behind the lender's actions and requests along with how to avoid the hassle associated with them.

It's important to understand that almost all lenders who provide mortgages are not going to keep your mortgage loan. Instead they will sell your mortgage to an agency like Fannie Mae or Freddie Mac who will pool your mortgage with many others and securitize them into a financial instrument called a *mortgage-backed security*. These securities are sold and traded on the bond market, where investors and traders who are looking for a safe investment will buy them. This process is what allows lenders to have a continuous flow of money to lend. Even if the lender who does your mortgage loan collects your payment, a process referred to as *mortgage servicing*, they are usually not the actual note holder and will not retain your mortgage loan in their portfolio.

So what does this have to do with the sometimes silly and often frustrating conditions that come with your mortgage, and the endless requests for more documentation?

Because lenders have to sign agreements that they will be responsible in the case of default, even years later, if there are any errors in a loan file or if the file was not underwritten properly. Even if the lender were to loan you money now when you are a great credit risk, but you were to lose your job later and be unable to pay or somehow otherwise have your loan default, the lender might have to buy your loan back if it is proven that the file is missing even an inconsequential document or contains any other error. This puts the lender in a tough situation, requiring them to overdocument files and to require documentation that may seem like it doesn't even make sense, all to try and avoid having a bad loan come back years later. Also, increased government regulation requires lots of documentation to make sure that consumers are protected from predatory lending.

So how do you use this information to make the process stress-free? Keep reading...

How To Make the Mortgage Process EASY

How mortgages REALLY work, and what to do to make your mortgage process stress-free

Here are the steps you should take to make the mortgage process as stress-free as possible...

- Try to provide as much documentation as possible to the lender at the beginning of the process.
- Always provide the lender with all pages for bank statements, pay stubs, and other documentation, even if the extra pages are blank or non-related.
- Understand that the lender will ask for documentation that doesn't seem important, and provide the requested documentation in a timely manner.
- Work closely with your mortgage loan officer or mortgage broker to find out what documentation or letters of explanation are going to be required ahead of time.
- Remember that the underwriter is not just reviewing the file for your creditworthiness as a borrower, but is also requesting documentation that may be needed later if the file is audited.
- Understand that the lender and all staff are not trying to slow down your file's processing, and are not trying to give you a hard time, but are just doing their job.
- Don't make any changes to your banking or investments during the process without consulting your mortgage loan originator for advice.
- Don't change jobs or quit your job during the mortgage process. If you will be away from your job due to maternity leave or disability, make sure to let your lender know as this WILL affect your mortgage approval.
- Don't make any large purchases (even if payment is not due immediately, for example buying new furniture with no payment for 12 months) such as a new car, furniture, etc..
- Don't make any changes to your credit profile, including disputing any charges, or even paying off old debts or charge-offs.

LOW RATES: 3 Ways to Get the Best Rates When You Get a Mortgage

Getting a mortgage ranks up there on most people's list with getting a root canal or buying a car. Why is that?

Most people say the reason they don't like getting a mortgage is not because of the hassle of the paperwork, or even the inconvenience of an appraisal, or the closing. The reason most people don't like getting a mortgage is because they don't like to feel like they are always missing out on a better deal, a better rate, if they only looked further. That feeling isn't helped by every advertisement, media article, or braggard next door talking about how they got such a great rate.

Well you don't have to feel that way anymore. Here are three tips to use when you get your next home loan so that you can rest comfortably knowing that you did indeed get a great rate for your unique situation.

#1 Start with a reputable lender

One of the worst mistakes that most borrowers make is treating a mortgage as a product like a TV or a computer. Mortgages are actually a service, not a product, and the quality and reputation of the lender you work with is very important. Imagine searching online for a particular model of TV, and finding a site that is selling it substantially lower than everyone else. When you purchase the TV, the box you receive doesn't actually contain that make and model. Instead it has a knock off version that is below quality and the sound doesn't work. That's exactly what happens when you try to search for a lender based on their advertised rate or a rate they quote you.

Rates change daily, sometimes even within the same day. Lenders set mortgage rates based on the pricing of mortgage-backed securities and the price they are selling for on Wall Street. The rate you are quoted, even if quoted on a Good Faith Estimate, is not binding unless you have submitted an application and can lock in that interest rate. Choosing a lender based on the lowest quoted rate does not guarantee that you will get that lowest rate when you close. In fact, it doesn't guarantee that you will even close at all!

Instead of using this method to decide what lender to work with, decide your next lender based on who you are comfortable with. Trust your gut and work with a lender who will properly process your application and get your loan closed. Remember that most of the lenders out there are competing for your business and are offering competitive rates in order to stay in business.

To get the best rate possible from that lender, work closely with the loan officer….

#2 Let the Loan Officer help you

Most media information scares consumers into believing that they can't trust anyone in the mortgage process. Not only is this not true, it usually costs borrowers money. In most loan transactions there is an ally that you want to work with to ensure you are getting the best rates and fees – the loan officer.

In 2011, government legislation was passed that prevented loan officers from being paid more or less money based on the interest rate the borrower received. That means that loan officers have no vested interest in seeing you get a higher rate. They do however have an interest in seeing you get a better rate, and be a happier client – more referrals. For almost all loan officers in the mortgage industry, more closed loans will equate to more money earned. They are working hard to earn your trust and your business, as well as that of your referrals, so that they can get more loans.

By listening to your loan officer, and trusting them to help you navigate the process, you can benefit. Loan officers will help you compare the pros and cons of paying points, or accepting lender rebate credit towards paying your closing costs instead of taking a slightly better rate. Sometimes the best rate is not the best option, depending on loan program and closing costs. Work closely with the loan officer and let them guide you with their experience and expertise.

#3 Make sure you can’t qualify for better terms

When working with your loan officer, there are some things you can ask them about getting better terms that could lead to a better payment or better rate. Here are a few of those questions you should ask your loan officer to make sure you are getting the best terms for your situation:

- Are there any loan level price adjustments that apply to my borrowing situation?
- Could improving my credit score help me secure a better rate or better program?
    - If so, is it possible to improve my score?
    - Is it worth passing on the current offer if I do try to improve my score?
- Is there a program that would offer me lender paid mortgage insurance, or lower private mortgage insurance premiums? *(This is only applicable if you will be paying mortgage insurance.)*
- Will you help me monitor the mortgage markets to know when a good time to lock my interest rate will be?

Work with your loan officer to answer these questions and they will help you to be sure you are getting the best offer possible for your mortgage.

Summary

Contrary to the information that is often circulated, lenders are not out to get you. By choosing the right lender for the right reasons, and working closely with the loan officer, you can rest easy knowing that you made good decisions and got the best offer when you get a mortgage.

Mortgage Process Checklist

Prequalification to Closing

Use this checklist as you navigate the mortgage process!

☐ Get Prequalified

The first thing you probably want to do is start to look at houses, however before you begin looking at properties you should really get pre-qualified with a lender. This will make sure you are looking at properties in a price range that you can afford and will be comfortable with the payment. It also will give you the freedom to act quickly if you do find the home of your dreams and to make an offer faster!

☐ Find a Home

Once you find the right home, your real estate agent will assist you in writing up an offer for purchase. Once you have an accepted offer, you'll contact your lender and submit a full mortgage loan application.

☐ Submit Your Loan Application for Processing and Underwriting

Your mortgage loan originator will help you with the details of your application and to submit the required preliminary documents for loan processing. You will be issued a Loan Estimate, and will often have to express your intent to proceed with the lender as required by federal regulation. Your lender will begin processing your loan application, and order an appraisal from a licensed property appraiser to assess the value of the property. An appraisal is different than a home inspection, and an appraisal is required by the lender on both purchase loans and refinances – a home inspection is not required by the lender.

After your loan file has been fully processed, it will be reviewed by an underwriter who will verify the information in the file meets program guidelines and that your file is credit worthy. Approval is never based on race, color, religion, sex, national origin, familial status, age, or disability.

☐ Conditional Approval

If your loan application meets the necessary approval criteria, the underwriter will approve the file with a conditional approval. A conditional approval means that the loan is preliminarily approved, but there are conditions that must be satisfied before you can close. Usually these conditions are requirements for more documentation to satisfy program requirements or prove credit worthiness. Often these conditions are as simple as the most up-to-date paystub or bank statement, or a letter of explanation for something in your credit file.

☐ Final Underwriting Approval

After all conditions have been submitted and reviewed, the underwriter will issue a final underwriting approval. You'll be issued a Closing Disclosure that will identify all costs associated with your loan for closing, and show the amount of money you will need to bring to closing (or possibly receive on a refinance). Federal regulations require the lender to give you 3 business days to review the documents and the lender may not close before that review period has elapsed.

☐ Closing Documents

You will sign all escrow and closing documents, and depending on your state laws your loan will either fund immediately and you will take title of your new home, or funding will occur within a few days and you will then take title of your new home. Your mortgage loan originator will be able to give you more details about this during your loan application process.