

Managing Your Finances

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What You Need To Know About Getting A Mortgage Today

(NAPSA)—If you're planning to buy a home or refinance the one you own, prepare yourself for the challenges of getting a mortgage today. These days, more than one in every three home buyers who apply for a mortgage fail to get one, many because they don't meet new, tough lending standards.

In 2006 and 2007, lax lending standards enabled hundreds of thousands of borrowers to qualify for loans they couldn't afford, causing them to lose their homes and their lenders to lose billions of dollars. Now the pendulum has swung to the other extreme.

New rules on income and debt make getting a mortgage harder today. In addition to a good credit score, your house payment should not exceed approximately 36 percent of your income before taxes. Furthermore, your monthly payment plus your minimum monthly revolving and installment debt should be less than 42 percent of your gross monthly income.

Finally, you may need to document virtually every aspect of your financial picture: income, employment, assets, debt and obligations such as alimony and child payments.

Here's some advice from Sue Stewart, a mortgage expert from MortgageMatch.com, a new website designed to make it easier to find and apply for the right loan.

1. Take Charge of Your Credit. Your credit scores and credit history are more important to lenders than ever. Check out your credit history at each of the credit-rating services: Experian, TransUnion and Equifax. Go over



A new mortgage website gives borrowers a complete estimate of their costs of ownership before they apply for a loan.

them carefully and take steps to correct errors.

2. Know How Much You Can Afford Before You Shop. Don't let yourself fall in love with a house you can't afford. With today's online mortgage tools, you can find out what you can afford in terms of down payment, closing costs and monthly costs that include principal, interest, taxes and insurance. Decide what your limit is and stick to it.

3. Get Your Documents in Order. Don't wait until you've put a contract on a house to get organized. It may take you some time to get all your documentation in hand. Find out from your lender or your real estate agent what you will need and be ready to submit everything with your application.

The good news about buying a home or refinancing these days is that interest rates are at historic lows. To take advantage of the "buyers' market," make it easy for your lender to approve the financing you need so you can house hunt with confidence.