

Mortgage Application Documents: What do you really need to copy?

Why is it that a mortgage application stirs up so many emotions? Fear, anguish, frustration, annoyance... In the past, it was true. Applying for a mortgage was a serious pain. So much has changed in the industry, and some lenders are going out of their way to make the mortgage application process much easier than it used to be.

If you're looking at buying a home, try not to listen too hard to the well-meaning people who are advising you to document your entire life. They mean well, probably because they had to do it themselves. And if you haven't looked at your mortgage lately, you can put those nasty memories behind you because refinancing is now much easier, too.

Here's a quick look at the documents that you'll need to pull together. But, before you go killing trees with copies, always check with us first to see if we can verify some of this information without paper copies. In some cases, we can electronically gather this information on your behalf, with your permission. What follows is probably the most you will have to collect.

1. Proof of where you have lived for the past two years. In some cases, this is as simple as typing up a list of your current address, and any other addresses you have maintained in the past two years. For a first-time home buyer who has been renting, you may be asked to get a letter signed by your landlord, verifying that you have been paying rent, and that you've paid it on time.

2. Verify your income for the past two years. The fastest way to do this is to copy your last two tax returns, and then fill in the gap with copies of pay stubs from the past two months. Before you copy a 30-page tax return, check with us first since you may only need the summary pages, or Form 1040. We may also ask for copies of the W-2 forms that you attached to your tax return.

3. Proof of all money-related assets. You'll probably be asked to copy the last two or three months' statements from all checking accounts, savings accounts, money market, IRA, mutual fund and brokerage (stock) accounts. Since most of these provide electronic statements, consider simply going online to print just what you need.

4. Proof of all debt. Here's the easy part, since we'll be able to pull a credit report on your behalf. This will provide all the information needed on your debt such as installment loans, student loans, car loans, and your current mortgage and home equity loans, if you're refinancing. It's wise to have a copy just to be sure everything is correct.

5. Oh, the sales contract! Of course, you'll need to have a copy of your original purchase agreement for review. A good mortgage company will keep the information on file, in case you choose to refinance later, saving you an extra step.

And here are some guidelines for more specific situations:

• **Income from child support or alimony.** It's good to know exactly

what documentation you will need. Some say you need to copy all court records and include all cancelled checks. But, before you copy 10 years' worth of paper, check with us to know exactly what you need.

• **Self-employed or paid by commission.** You'll need to include your pay-related schedules when you copy your tax returns. These pages break down the types of income you earned and help validate your income statements. If you own your own company, you may be asked for a profit and loss statement, balance sheet and corporate tax returns. But, based on your specific situation, the details needed may vary.

• **Bankruptcy.** All lenders assess how much risk they are willing to take when lending money for real estate. Of course, you'll need to copy any court paperwork, but you may also be asked to write a statement describing why you filed for bankruptcy. An accurate credit report should be able to show that you've kept up your good credit standing since completing your bankruptcy.



Mortgage processing has changed with the help of technology and some pretty smart people. All this refining means you benefit by gathering less paperwork for your mortgage or refinance. Don't let bad memories or old advice keep you from a home loan that fits your budget. Working with a mortgage expert who's willing to simplify your application will make less work for you.

For more information regarding the type of documents you will need to apply for a mortgage, contact our office today!

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Who Is Nehemiah & Why Is He Giving Out Money?

Okay, so Nehemiah isn't a person, and the money isn't exactly free. So, what are we talking about here? Down payment assistance, of course.

"Wait. That has nothing to do with buying a home. At least not my home. I'd never qualify for down payment assistance."

No, we're not talking about applying for gifts or grants. This is a new way to help home sellers sell their homes faster, and help home buyers afford a home more comfortably. And this is where down payment providers like Nehemiah® and AmeriDream® come in.

Some home sellers want to get their home to sell faster, so they offer "seller concessions." Usually, these look something like this on a real estate listing: "Seller is offering a \$2,000 allowance for new carpet." Or, "3% of sales price to build new garage."

Instead of bribing buyers with carpet or covering closing costs, why not take it further? Why not allow the seller to contribute to their buyer's down payment? Since exchanges of money between buyer and seller are illegal, programs like Nehemiah and AmeriDream have been created to facilitate the process. These are organizations that handle the transaction to make sure the cash is, in fact, being used directly on the down payment.

Having a third party to manage the transaction ensures that no one walks away with cash just for buying the house and no one's pockets get any fatter than necessary. Everybody wins.



So, what does this mean to you as a home buyer?

- Look for homes where the sellers are offering concessions. Then, ask if they'll provide that concession as a Nehemiah or AmeriDream down payment.
- Make sure your real estate professional is well versed on down payment assistance programs. Your agent can broach the subject with sellers' agents who have not specifically offered concessions.
- Make an offer including DPA (Down Payment Assistance), especially if you have something to contribute, like a fast closing because you have no other house to sell. Sometimes you have to give a little to get a lot.

Down payment assistance programs make buying a home more affordable for some home buyers. Imagine having a 10% down payment — just because you asked for it! The key to negotiating is just that — you won't get anything you don't ask for. The worst thing a seller can say is no — then you can walk away or change your offer. These days, the ball is in the buyer's court.

And a note to sellers — you can seek out prospective buyers by getting proactive with Nehemiah and AmeriDream — both providers

offer marketing materials to help you move your home quicker.

As a buyer, talk to your agent and a knowledgeable mortgage expert about how much you should ask for through a DPA program, and how it will affect your new mortgage.

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From the Inside: The Basics of Reverse Mortgages

As the baby-boomer generation ages and the availability of post-retirement income diminishes, there has been a clear demand for ways for people to tap into the equity in their homes in new and innovative ways. Enter the rise of the reverse mortgage. But not many people understand it. A mortgage that pays you?

Let's start with the basics. Reverse mortgages are only available to people 62 and older. If you don't fit this category, you don't qualify. Over years and years of mortgage payments, a homeowner can build up a significant amount of equity or eventually pay the mortgage off completely, thus owning their home free and clear. Instead of sitting on the piggy bank, reverse mortgages allow homeowners to turn the tables and have their home write the checks to them.

How does it work? Reverse mortgage loans typically require no repayment for as long as you live in your home. They must be repaid in full — including interest and financed closing costs — when the last living borrower permanently vacates or sells the property. Because the borrower(s) makes no monthly payments, the amount you owe grows larger over time. As your debt grows larger, the amount of equity you have left after selling and paying off the loan generally grows smaller.

The best part about reverse mortgages is that all of them are non-recourse loans which means the borrower is not responsible if, in the end, the mortgage exceeds the home's value.

What's the catch, you say? All borrower(s) must be 62 years of age, occupy the home as their primary residence for the majority of the year, and own the home outright or with a relatively low mortgage balance that must be paid off through the proceeds of the reverse mortgage. For those of you concerned about income requirements, fear not! That's the reason reverse mortgages were created! Unlike conventional mortgages, the reverse mortgage is different in that it pays you, and is available regardless of your current income.

Some people think a reverse mortgage means you are turning your home over to a lender. Not so. A reverse mortgage is a loan against the property, and only becomes payable when the last remaining borrower sells the home, permanently leaves the home or passes away. The title remains in the name of the borrower and the lender is only repaid the remaining balance or home value; whichever is less. If the borrower is deceased, the home will go to the heirs of the borrower. They can sell the home or do a conventional refinance.

Like conventional mortgages, there are fixed and adjustable-rate reverse mortgages. A borrower can choose monthly payments or a lump sum payment. Due to the lender risk involved, costs and rates are typically higher than a conventional loan, but vary greatly by program or lender. Before qualifying for a reverse mortgage, third party counseling is required. Options can be explained and considered at that time.

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