



Mortgage Mistakes and How to Avoid Them

Borrowers should use a member of the Mortgage Bankers Association of Georgia (MBAG).

Our members abide by a Canon of Ethics and will seek to provide the very best loan program available for the customer. (To view a list of MBAG-member lenders, visit www.mbag.org and click on the "Member List" tab at the top of any page. Lenders are marked "Regular.")

Make an effort to check the condition of your credit before applying with a lender for a home loan. The three main credit repositories allow a free credit report every six months. If you are aware of a credit problem, call the creditor and see what arrangements can be made to clean up the issue before a lender makes a denial due to outstanding derogatory credit.

Check the availability of first-time homebuyer programs. Often, potential homeowners are unaware of programs sponsored by city, county or state governments. These programs will most likely contain stringent income requirements, but may be tailored for the right borrower. Check with the **Department of Community Affairs** office (www.dcaloans.com) or visit www.georgia.gov for more information.

Get pre-approved for a loan first. Many new homebuyers write contracts with a realtor before being pre-approved. Without speaking to a lender first, you may be setting yourself up for disappointment and possible damages with the seller if you aren't careful.

Borrowing too much money. Make sure you don't take out a loan for as much money as possible as touted on late-night infomercials or make your buying decision based solely on your income. These might be good strategies in a market where homes appreciate at a rapid rate, but you still have to make the payment, plus many fail to consider property tax or other considerations involved with owning and maintaining a home.

Shop around to at least a few lenders and compare interest rates and loan programs. Currently home mortgage interest rates are at record lows, but even so, potential or current homeowners fail to compare interest rates. Saving .25 to .5 of 1% in your interest rate over the life of a loan can save you thousands of dollars, plus different lenders charge certain lending fees.

Not planning for closing costs is another mistake. Borrowers sometimes believe that the down payment is the only up-front monetary issue to consider when purchasing a home. Borrowers should do research, especially on new constructed properties, and possibly negotiate with a seller to pay closing costs. Doing so could possibly save you thousands of dollars.

Prepare yourself for the necessary reserves after your home purchase. Due to several affordable housing incentives, many loan programs no longer require cash reserves after closing. Like anything, homes need maintenance, even new ones that may not be under warranty; or essential items such as window treatments or possible emergencies may require you to tap into your savings. Having two months worth of your mortgage payments in savings could help prevent unforeseen emergencies such as a job loss. This can be critical in making homeownership a pleasant experience.

Application Tips

- The sales contract if you find a house before you apply for a loan or the warranty deed of the subject property if you wish to refinance.
- A list of your financial obligations.
- The addresses of your past 2 residences. If you rented, include the name and contact information of your landlord. If you owned your home, include the name and contact information of your Mortgagee
- The names, addresses and phone numbers of all employers for the past 2 years
- Most recent pay stubs for 30 days and IRS W-2 tax forms from the past 2 years
- Any documents that support your claimed income, from sources such as Social Security, pensions, interest and dividends
- If you are self employed, 2 years of complete tax returns (including corporate or partnership information / returns), plus financial statements from the company
- If you are divorced, a copy of your divorce decree and executed settlement agreement
- 2 months of original bank statements and written explanation of any large deposits