



What Not To Do When Applying for a Home Loan

We all make mistakes. It's part of being human. Yet there are some things in life that we would really rather not botch. One of these important instances is buying a home. It is such an expensive venture that doing everything right the first time is essential. When it comes to applying for the mortgage loan to fund that purchase, you would do wise to steer clear of the following borrower mistakes.

Mistake #1: Starting the application process in a state of ignorant bliss.

While you will learn a lot about the way mortgages work as you go through the process, some unscrupulous lenders will take advantage of your ignorance if you are not careful. Before you start applying for a home loan, do your best to educate yourself about what type of mortgage program you want, what type of lender you are looking for, and what type of interest rate you can expect to be offered. You are off to a good start just by reading this article, but you should definitely plan to put some time and effort into researching the mortgage process to get the best deal.

Mistake #2: Failing to shop around.

Those with less-than-perfect credit may be at biggest risk in this area, as they may feel obligated to take the first offer they get, thinking it may be the only one they'll get. The truth is that even for those with poor credit there is a whole mortgage sector devoted to financing these types of loans. No matter what your credit history is like, shopping around is the best way to find the best deal. And as long as you do all of your shopping within month's time, it will not have much of an effect on your credit score. A good place to start your search is on the internet as most lenders today have a website where you can learn about the company, the programs they offer, and the rates available. You can still go the old fashioned route by calling for quotes or actually visiting mortgage lenders, but be sure to avoid lenders that contact you first.

Mistake #3: Being unprepared for the associated costs.

Not only do you need to have a tidy sum set aside for a down payment, but you will also need money for the closing costs. These can run between 3% and 6% of the loan total, adding up to a couple thousand dollars. If you are required to pay any mortgage points, you will have to come up with another thousand or so. And don't forget that you will have to have some funds left over for once you actually move in. You have your monthly mortgage payment as well as the periodic maintenance and repair costs.

Mistake #4: Withholding information from your lender.

So your credit is not perfect. So you have had a bankruptcy in the past. We all have our rough times financially. While you may be afraid to talk about these issues with your lender, with all the research he or she must do in order to lend you money, the facts are going to turn up. You might as well be honest and forthright with the information. You might have to sacrifice a little in the interest rate you are offered, but your lender should be able to find you the best loan for your situation. Plus, if it comes out after the fact that you lied to your lender about your assets



or income, you could be charged with mortgage fraud.

Mistake #5: Protect your finances and credit during the application process.

Your approval for a home loan could be reversed if you make some foolish financial errors during the application process. Do not change jobs in the middle of the approval stage. This makes you look less financially stable, and could hurt your chances of getting the loan. You should also avoid making huge purchases during the same time. This could significantly shift your debt-to-income ratio and cause you to lose the promised mortgage. Wait until after the loan closes, to buy that new car.

While this list of mistakes is by no means comprehensive, it will give you a good foundation to work with. As you continue to do your research, you uncover all the deadly mistakes that could cost you the most important loan of your life. Fortunately with a little bit of loan education you can navigate past the pitfalls and land yourself a great investment.