

How to Know if You Qualify for a Home Mortgage Loan

By The TAG TEAM

ON AVERAGE 6 IN 10 PEOPLE ACTUALLY DO QUALIFY FOR MORTGAGE LOANS.

While the majority of people looking for mortgages can qualify, many people can't, for various reasons.

HERE ARE SOME OF THE MOST COMMON REASONS WHY WOULD-BE BORROWERS FACE REJECTION:

CREDIT:

Credit scores too low: How low is too low? A score less than 580 is unacceptable by most lender standards.

Maxed credit card threshold: Is your balance more than 30% of the allowable line? Pay it down.

Multiple credit inquiries: Do they drop your score? Not always but limit yourself to mortgage- only credit pulls within a **45-day period**.

Source

DEBT:

Paid-in-full debt: Does your credit report support this? If not, lenders will use debts reported even if balances are zero.

Co-signer obligations: Did you lend your score to someone? If so, plan to provide 12 months of canceled checks showing they make the payments to the creditor.

Debt that cannot be offset: Do you have another housing liability payment or a consumer loan for a vehicle? You will need double the income to offset each dollar of debt unless it can be paid off.



EXAMPLE:

Borrower:

"I do not want to pull my credit since it's a hard inquiry"

Realtor/Loan Officer Answer: (Paint the Picture)

- The reason it is important to pull credit at this stage in the game is to know exactly what we are dealing with. We need a road map to our destination; we need a business plan to determine what the end goal is. It is never too soon to pull credit and it will only prepare us for what is ahead!
- It is like going to the doctors to get diagnosed before surgery.
- I had a customer that waited to pull credit against my recommendation and in the end, it ended up costing us another 60 days to close and I do not want that to happen to you.

INCOME:

Not showing income: Are you self-employed? Not showing enough income under Schedule C reduces your borrowing power. It is best to reduce consumer debts in such situations.

Un-reimbursed business expenses/losses: Taking these on your tax return could reduce your borrowing power. (Meals, Travel and Entertainment, etc.)

Occupational status: Has your occupational status changed in the past two years? If so, it is better to go from self-employed to a full-time W-2 employee, not the other way around.

EXAMPLE:

Borrower:

"I do not make enough to purchase the property I really want to be in"

Answer:

**Realtor/Loan Officer
(Paint the Picture)**

Non-Occupant/Co-Occupant: Income is not sufficient to purchase a property in the amount of \$350,000...? Add a Non-Occupant, Co-Borrower, Parents, Grandparents, Aunt, Uncle, Brother, Sister to the loan.

ASSETS:

Unsourced funds/cash deposits: Plan on using cash for your transaction? Not so fast; all monies must come from some kind of a bank account and show a clear chain from A to Z.



Using the down payment: Plan on tapping into your down payment funds and reimbursing yourself later? Don't do it. Keep your down payment intact for mortgage loan financing throughout the process.

Transferring money:

Moving money from different accounts during the loan process? Be prepared to show full bank statements of every account the money touched.

FHA/VA = 1 Month Bank Statements

Conventional = 2 Months Bank Statements

A reputable mortgage professional should be able to look at your credit, debt, income, and assets and make a determination of whether you qualify for a mortgage.

However, you should be willing to send your mortgage lender financial documentation including two years of tax returns and W-2's, bank statements and pay stubs to support your loan qualification.

EXAMPLE:

Borrower:

"I do not have enough money in order to close on a home"

Answer:

Realtor/Loan Officer
(Paint the Picture)

Gift Funds: Do you have a family member who can "gift you funds" in order to make this deal work?

Did you know you can gift funds on a Conventional, FHA/VA loan the entire down-payment?

We would just need a paper-trail from the donor to borrower to verify and cross reference the documentation in order to utilize these funds.

LET'S TAG TEAM THIS DEAL!

