Want to Know How to Get the Best Mortgage Deal In America?

"First Time-Home Buyers Tips & Advice Before You Hand Over Your Money~Also Learn a Thing or Two About

Foreclosures"....

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1. How Much Can You Borrow

How much you can borrow for a home mortgage depends on several factors, all of which are important. How much your income is and what debts you have are two things that will be looked at closely. Your credit rating is another component, and how much - if any - you have saved for a deposit is yet another one.

To decide what amount you are eligible for, the lender calculates your debt to income ratio. This tells them how much of your total monthly income you must use to pay off your debts - and how much is left over. In simple language, if a lot of your income is used to pay off others debts then you won’t have much left over to pay off the loan. In this case you either won’t get a loan, or you won’t get much of a loan.

To borrow enough for a home you need to have a good income - or preferably two - not much other debt and at least some deposit. If you have no deposit, then the terms of your loan and your interest rate will be higher. But don’t despair; because there are many aid programs out there to help low-income families get a home.

The most used debt to income ratio is referred to as 33/38. What this means is that your housing costs should take no more than 33% of your total income, while adding the rest of the consumer debt you have should bring it up to no more than 38%. These guidelines are flexible depending on the amount of down payment you have and they also vary according to the lender. Some lenders allow a 29/41 ratio to qualify for a loan.

So basically, how much you can borrow will depend on your debt to income ratio, your down payment and your credit history. You may find it easy to figure out what your income is per month, but if you are paid with a bonus or commission

system as well as a wage, then it is a little more difficult.

Lenders only calculate your income based on what you've earned in the past, not what you are earning now. You will need the records of your bonuses from the last two years. You can work it out by looking at your W2 forms for the last two years. Add them up, divide the total by 24 and the answer will be your total monthly income.

If you are self-employed your income must still be figured out using records from the last two years. Working it out yourself will keep you a step ahead of the lender and you'll know what to expect when he starts to ask questions.

2. How Do You Qualify for a Mortgage

To qualify for a mortgage you need to at least have an income - one that is not being gobbled up by any other debt. That is not to say you cannot have any other debt. It simply means that it should not exceed a certain percentage of your income. Remember that when you get a mortgage, you have to be able to pay it back. And you'll be paying back heaps more than you borrow because of the interest rate charged.

When lenders start to examine your income, they like to be

sure that they will get their money back. After all, that is what they lend it for; to make money through the interest. If they think you are a risk, they will require you to take out loan insurance. This will be even more cost to you, but will ensure that they get paid. A person who is considered a risk will also have higher interest to pay.

Your credit rating will be one of the things that a lender looks at to decide whether you are a risk or not. If you've had a history of late repayments or even just one repayment that is late, their alarm bells start to ring. They believe that if a person has paid late once before they will be more likely to do it again. Statistics show they are right.

So if you've had late repayments - even though it was through no fault of your own - then this will go against you in qualifying for a mortgage. It will not necessarily prevent you from getting one, but it will cost you in terms of interest and insurance.

Having a steady job that you've kept for at least two years will help you to qualify for a mortgage, especially if your income is a good one. If you've changed your career in the past and are just starting out on a new one, this will go against you. What lenders are looking for is that rock solid steady employment history in the same line of work. They want you to be earning something like twice as much as the amount that you have to pay them back.

If a lender offers you much more than you expected or need, be wary. While you might have sudden visions of the beautiful home you'll now be able to afford, you will have to pay it back - if you can. The more the lender lends you, the more he will make; that is all some are interested in. Over-extending yourself is never a good idea.

3. The Importance of Your Credit Score and Where to Find it

Your credit score is one of the most important issues that a lender will take into account when deciding whether to lend you money. If you have lots of debt and late payments, then you will likely have a bad or poor credit score. Having a bad credit score will not prevent you from getting a loan, but it will make it harder and you'll have to pay more in interest and loan insurance.

And in fact, your poor credit rating may not be your fault at all, but due to inaccurate late payments registered by credit bureaus. Take careful note of your payment history and get mistakes fixed immediately to keep your credit score squeaky clean.

So where do you find out what your credit score is? Since no one can get by without money, everyone has a credit score. The score most used for larger loans is that developed by Fair, Isaac and Co, commonly called the FICO score. Lenders

apply to the three national credit bureaus, TransUnion, Fairfax and Experian to find out your credit score. You can do the same thing.

You should get your credit score at least six months before you need to apply for your loan. This is because it takes up to three months or more to fix any mistakes that have been made on it. Then you need to have at least three months of good history to show.

If you habitually make late payments without even realizing it, then you need to put in place a plan. If you have a computer, you can set up your bank account to pay automatically at a certain time. If not, make sure of when your payments are due and mark the date on your calendar. If you have a PDA, you can set it to remind you when to make the payments.

These things will help your credit score to improve. Another thing to help is to make sure you keep your balance under that credit card limit by at least 25%. If at all possible, pay off the credit card debt you have completely, before applying for the loan. The amount of money you owe on your credit card is a vital factor in your credit score.

So don't get down about having a poor credit score, these are things you can do to improve it. Get cracking and make a new start. You'll be glad you did.

4. What is Mortgage Pre-Approval and Do You Need One

To get pre-approval for a mortgage the lender must closely examined your credit history and affirm that you qualify for a loan. He will tell you what sort of mortgage you qualify for and discuss interest rates. Better still, he will tell you the amount of loan you should be able to get.

While this pre-approval is not a firm offer of a loan, it lets you go shopping for a home with more confidence, because you know that the lender will look on your formal application with favor. Since you now have a specific amount of money in view, you can narrow your choices down to fit in with the amount of the loan.

The pre-approval differs from pre-qualification. To run a pre-qualification check, the lender does not look closely at your credit history. It is only a general look at your debt to income ratio. You can do this yourself using the many online calculators available. Or you can get your real estate agent or a lender to do it for you. Loan terms and interest rates don't figure in the pre-qualification equation.

To get loan pre-approval, you'll need to talk to the lender and put in an application. The lender will need all the details

of your financial history and your permission to make a credit search. Once you have pre-approval for a home loan, then the seller will be more than likely to accept your offer to buy.

When the buyer's market for homes becomes competitive, as it is these days, a pre-approval may be just the thing to give you an edge in buying the home of your dreams. You can often apply for pre-approval online. This usually results in an agent contacting you to set up an appointment. Only by actually talking to you and examining all your details can the agent judge whether to give you pre-approval.

Pre-approval is not a binding agreement on either side. It simply means that your home loan application would be looked on with favor by the lending institution. And from your side, you could go to another lender for the mortgage you want, instead of staying with the one who gave you pre-approval. You will then have to present all your credit history again. You may want to do this if a long time has elapsed before you can find the house you want and the financial climate has changed. You might then find a better deal through a different lender.

5. Banks and Mortgages

Traditionally, people who need a mortgage go to a bank.

They feel that a bank has lots of money and is more likely to give them a loan. When you go to a bank, you will be offered the choice of several different loans - assuming you qualify - but they will all be from the same financial institution; the bank you have chosen.

The loan officer at the bank you've chosen works for that bank and their job is to offer loans on behalf of the bank. The bank loan officer will not get a commission for successfully signing you up as the bank's customer.

This mean that you are stuck with the interest rate they offer, so if you see another bank offering better interest rates, go there instead. Or you may be the type of person who enjoys a bit of haggling, in which case you may be able to point out the difference in what another bank is offering. If you are persuasive enough, the loans officer may try to match it - if he is allowed.

One point in favor of using your local bank is that it is there on the spot and understands exactly what is meant by various real estate terms. This means there should be minimal delays in getting closure, once all the details have been sorted out. If you use one that is a long way off, there could be delays.

Banks are financial institutions - they don't really want to get into real estate. So they do their utmost to help you keep

going financially when things get tough. They may be happy to re-finance your loan if you lose you job and find it difficult to meet payments. This is because they know that if they have to foreclose, they also have to pay all the costs associated with it, like taxes and upkeep. Banks would much prefer to make money via their interest rate, than pay it out in these costs.

This is encouraging for borrowers as often with just a little help from their bank, they can avoid losing their home and even take steps to make living a little easier by negotiation. This should be done in a pro-active manner. Never wait until the debt collector is ready to throw you out of the house before asking for help.

While it may be harder for the new borrower to get a foot in the banks lending door, those who are already in will usually be helped if they ask. And making it harder to borrow is not such a bad thing. It's better not to borrow at all if the result means financial hardship or even bankruptcy further down the track.

6. Brokers and Mortgages

When looking for a mortgage many people will go to a mortgage broker. Mortgage brokers have access to many lending plans from many different lending institutions. A

good broker should be able to get the best mortgage deal for you - and may even be able to get a far better interest rate than your local bank is offering.

The trouble is that brokers need to make money to live too, so where are they going to get it from if they don't work for a bank or other lending institution? You, of course! They add a bit on to the interest rate of your loan and have that as their commission. They may also get paid an extra commission from the lending institution they get your loan with.

While there are some baddies out there, most brokers are honest. They have to be to keep their jobs. It doesn't take long for a bad reputation to spread. And there are plenty of laws to protect you from a shonky broker. Competition for work is hot, so brokers need to stay honest and give good deals to keep themselves in a job.

That doesn't mean you shouldn't take steps to protect yourself. Always be sure that you get everything in writing from your broker, and then you will be protected. Remember too that when brokers quote you a price they can lower it. They've added their fee on and will no doubt have made sure they get plenty. You can't blame them for that.

But feel free to negotiate to lower the interest rates. Your broker may even expect you to do this and have accounted for it in his original quote. So don't feel that you are stealing

bread from his mouth. And while you are at the negotiating table, you can also look at his fees. He is allowed to charge you a fee by law, but you are also allowed to try and get them reduced. Don't accept too high a fee from a broker, because he is making his money off of those extra interest rates.

On the other hand, you should try to be reasonable. If you beat him about too much, he will lose the incentive to get you a good deal and work with you. If you hate trying to negotiate, let the broker do it for you by speaking to two or three and let them compete with each other. This way you will be the winner, because they will vie to get your custom.

You can initiate the first steps online to make the task less daunting. Once you go to a broker's website, you'll find it easy to put your first details into their question boxes and get the ball rolling that way.

7. Should You Find Financing Online

These days so much is done online that it seems everything we could possibly want is available. You can buy clothes, sign up for newsletters about everything under the sun, find out all about the news, wind and weather and generally have fun - all online. So what about the more serious side of life - that of getting finance to purchase your dream home?

Should that be done online too? Is it safe?

Certainly the first steps to finding finance can and should be done online. By researching various sources of finance, you can compare their rates and requirements in just a few minutes. To do this by going to each one physically and speaking to the loan officer would take days or weeks.

It takes only a few moments to log into the website of a bank, other lending institution, or a broker and find out what they can offer you. They too want to save time and money. They do this by making the online experience as easy and helpful as they possibly can.

Many have online calculators freely available to any would-be customer to use. While these are limited in actually getting your loan settled, they provide a vital first step in seeing what is available and whether you fulfill the criteria. This saves time spent unnecessarily by a loans officer in telling you what you need to qualify.

To actually find financing online, you need to be a bit more wary. Make sure you are dealing with a reputable and honest company, whether it is a broker you are looking for or an actual financial package. Another thing to watch for is if the company is close to your home. If you choose to deal with a lending institution on the other side of the country, there could easily be delays.