

13 Mortgage Tips

Everyone should know about

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Don't bury yourself in a mortgage pile

It's understandable that you want the best place to live that you can afford, but be certain that is a cozy afford ability. You might find that certain [mortgage lenders](#) will stretch your qualification ratios (this is the ratio of your total mortgage payment to the total of your income), so be aware of the traditional ratios (the mortgage payment as 28% of your income and the total mortgage payment plus the monthly debt payments of 36%) are the basic guides you need to keep in mind.

Gain control of your budget

A few things that can bring a lot of rewards later on is to spend some time reviewing your budget (if you already have one, if not you have to plan on having one) and sharpen the skills to save money. A key thing that will allow you to get the most home for your money is a coordinated budget without having to strap yourself, and to eliminate spending money that goes to waste.

Get ready to pay off small debts

If you have 3 credit cards (as an example) one with \$120, a second one with \$217 and a third one with a \$345 balance can only cloud the picture and make it confusing. The total of these amounts is \$ 682, which might sound as a small number, keep in mind that all three have minimum payments, lines of credit, etc. Prepare yourself to pay them down to zero if possible.

Start gathering documentation.

There is no need to have all the items at hand before applying for a mortgage, but there are certain number of documents that you will eventually need and everything from the start to the approval, the whole process will go much more smoother if you start gathering them from the beginning. For example: Income tax returns and W-2's from the last years (especially if you are self-employed, a copy of your credit card report, pay stubs copies, records of any incoming or outgoing alimony or child support, and checking and savings bank statements (for all accounts) for the last months.

Keep in mind the closing costs.

You will need to reserve funds for closing costs in addition to your down payment. The costs can range from 2 to 5% of the mortgage amount, depending on the kind of loan and the location of the property, and they have to be payed in non-borrowed cash.

Compare different options.

Make sure to make comparisons with the different source of mortgage funds, there are lots of them around. Either from your local bank, or [mortgage broker](#), credit union and Internet resources, were you can get up to 4 offers from competing lenders for your business, all of them are available. Compare them in equal terms, down payments and loan types to be certain.

Compare while considering points.

There are 3 key factors that will define how much your total mortgage will cost: the interest rate, the term and the amount of points. There are plenty of articles about points across the Internet for a further understanding.

Consider a 15 or 20 year term.

There is an assumption that many home buyers make: the shorter the term, the more the payments will be boost out of reach. You might never know which term could have been affordable, either 15 or 20 year, unless you make a comparison. If you have concerns about committing to a higher payment on a shorter period of time, you might want to try this: Mortgage the home on a 30 year loan but let the lender develop a 15 and a 30 year amortization sheet for yourself. Then do your best to pay the mortgage at a shorter term payment. Be sure that this will do wonders for your equity position!

Adjustable Rate Mortgages (ARM).

If you are not going to be in the house for a short time (between 1 and 5 years) it is strongly advised that you consider in getting an [ARM](#) (adjustable rate mortgage). With the low initial this option presents, you can take full advantage and not be preoccupied about increases on rates sine they will be on effect once you have moved to the property. The first adjustment period to your ARM´s will be tailored to the period you will be on the house.

Buy down the rate

The seller or builder, or through innovative pricing, can help you buy down your mortgage rate for one, two, or three years. Through innovative pricing, the seller or builder can help you buy down your mortgage rate for one, two, or even three years.

Refinancing your Mortgage

Consider [refinancing](#) your mortgage if you can get a rate that is at least one percentage point lower than your existing mortgage rate and plan to keep the new mortgage for several years or more. Ask an accountant to calculate precisely how much your new mortgage (including points, fees and closing costs) will cost and whether, in the long run, it will cost less than your current mortgage Start considering a refinance on your mortgage if you can get a rate that is at least one percent point lower than the mortgage rate you already have and plan to keep the new mortgage for several years or more. Tell your accountant to calculate with precision how much your new mortgage will cost (have him include points, fees and closing costs) and if it will cost you less than your current mortgage in the long run.

Start making bi-monthly payments

Simply by changing your payment frequency from once every month to half a payment every two weeks with an automated process! When converting a monthly mortgage payment of \$1,000 to \$500 on a bi-weekly basis, you will be able to make 26 one half payments through a year´s time. That equals to 13 monthly payments.

Educate yourself from multiple sources.

There is no complexity on securing a mortgage, but if you approach it without any knowledge, almost blindfolded, the mistakes can be extremely expensive! Gather as much information as you possible can, from friends and relatives (especially the ones that had secured mortgages recently) and also books and articles (both on line and off line)

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