



Your First Mortgage

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Your First Mortgage

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Are You Prepared for A Home Loan

Home Loan Readiness

Owning a home is really one of the ultimate dreams of most people. No one will deny the fact that home ownership reflects the fruits of hard work through the years.

However, owning a home is not that easy. Financially, the implications are not very simple. A significant amount of money must be available before one even makes the first move to attain this kind of a dream.

Everything must begin with the identification of what you can really afford. This involves scrutiny of savings and other existing funds as well as the entry of income in the coming years. If one intends to get a home loan, a clear forecast of income in the future must be in place.

Most people obtain a home loan. Not too many people can afford to pay cash for a home. Stretching the loan out for years in affordable terms is the most sensible and thus lets people achieve the dream of home ownership.

However, although home loans lessen the burden, it remains very important that the owner specifically matches his criteria for a home and income potential. It is true that getting the best home is the most fulfilling. However, in reality, the best may not be appropriate for everyone.

Your housing affordability is strongly dependent on money available for down payment, costs for closing a certain deal, and needs for a cash reserve. Normally, the greater the existing amount, the less you have to borrow for a home loan which is much better.

Agents of home loans normally go through an intensive consultation with the potential homebuyers. These discussions cover preferences as well as possible trade-offs given some budget constraints. These also aim to organize all factors involved at the very start of the transaction to avoid problems along the way.

At this stage, the buyer realistically asks himself, "What do I want in a home I can afford?" Indeed, searching for the right home is both subjective and objective. It is subjective because choices are strongly dependent on personal taste and objective because a lot of tangible factors must be taken into serious consideration.

As soon as preferences have been laid down in the light of a realistic budget, you are ready to search for the actual home. There are realtors who can help in this stage as well as other service providers who can give an honest evaluation of the target neighborhood. However, this stage poses the temptation to go over the set budget so you must be very focused on what has been previously planned.

Getting the help of a real estate professional is indeed beneficial as they can help save time and effort as they know the ins and outs of the business. Proper communication of actual financial status and preferences should be in place. They can also suggest which loan providers are best in the industry.

On the other hand, having budget constraints does not automatically mean settling for a home of poor quality. You still need to be very critical as you inspect each of the homes that you visit. There are so many choices out there and quality must not sacrifice with amount.

There are online loan calculators that one can easily use to regularly monitor the price range against what one can actually afford. These tools are updated and make use of current interest rates. Thus, you can immediately see how much the monthly amortization will be.

A realistic evaluation is very important. Loan companies will not grant a home loan if finances and income potential are obviously not sufficient. This explains why an intensive credit investigation is conducted first. This is a standard procedure for any loan provider.

Indeed, proper planning here is very essential. It is not enough that you simply want a home. Your dreams of owning a home can become a reality if and only if all factors involved have been well considered. Otherwise, the dream may turn out to be a nightmare.

What Type of Loan Do I Need

The Most Appropriate Loan Type

Loans can be very helpful. However, this is only the case if you were able to choose the most appropriate for you. Otherwise, you might end up being so burdened by what you have to pay regularly for the loan.

Loan providers are always willing to give you assistance on this. It is true that loan options can really be confusing. Thus, as long as you communicate well your needs to your loan agent, you may expect a

professional advice and suggestions from them.

One type is called fixed rate mortgage. The rates here are consistent all throughout the life of the loan. Thus, monthly payments do not fluctuate and remain the same until everything has been settled.

If you prefer lower monthly payments, you may choose 30-year fixed-rate mortgages. The downside, however, is the fact that it will take you a while to accumulate equity in your home. This option is most advisable only if you intend to stay in your home for quite a number of years with a stable rate.

If such is not the case for you, you may opt for a 15-year fixed-rate mortgage instead. Since the principal and interest are distributed to a 15-year period, you easily accumulate equity in your home. However, the monthly rates are definitely higher since you cut the period to half. This is most advisable if you have intentions of selling your home in a few years time while enjoying a stable rate.

The disadvantage for any form of fixed rate mortgages is manifested if interest rates happen to go down after some time. As soon as you agree to a certain rate at the start, no matter how much the interest

rates decrease along the way that will not cover you anymore and you will have to adhere to what has been agreed upon.

Another type is called adjustable rate mortgages. Interest rates here change periodically based on a stable index so monthly payments will either increase or decrease. A 1-year adjustable rate mortgage, for example, causes adjustments in the interest rates annually.

Common indices followed by adjustable rate mortgages include 1-year Treasury Notes, Federal Funds rate, and the National Cost of Funds Index. There is usually a margin of one to two percentage points that are added up to the declared index rates.

The rates may increase or decrease depending on the two caps that are normally included. The first cap sets forth limitations on the adjustment during a certain period while the second one gives limitations all throughout the loan.

The advantage with this type is that monthly payments go down with a decrease in the index. However, payments are also going to be vulnerable whenever there is an increase. You might then want to evaluate the current system and situation given these pros and cons

before deciding which one to choose.

Moreover, if in case you do not want to be tied up with an adjustable rate mortgage until the end of your loan, you may opt to avail of a convertible loan. This is actually an adjustable rate mortgage that can be changed to a fixed rate mortgage after a declared number of years. However, you may need to pay for some costs when you do avail of this.

Another way of possibly shortening your mortgage is through the purchase of a balloon mortgage that may function either as a fixed rate mortgage or an adjustable rate mortgage during the initial years. After a certain period of time, a considerable amount of loan is left which you have to pay in bulk. This is most ideal to those who have plans of selling the home after some years and use the money generated from the sales to pay off the remaining balance and finally be loan-free.

Indeed, there are several options for you in the market. You only have to identify exactly what your financial situation really is and from there, choose the loan type that will not give you a hard time every month. Also, an idea about the current condition of the loan industry

will help since it will make you aware which loan type will be most advantageous given your financial capabilities.

In the upcoming chapters we will endeavor to discuss each type of loan in greater detail.

Fixed Rate Mortgage vs. Variable Rate Mortgage

The Difference Between A Fixed Rate Mortgage and A Variable Rate Mortgage

With the various options in the industry nowadays, this is probably the most confusing time for anyone who is considering a mortgage.

Moreover, interest rates seem to be constantly fluctuating and this adds up to the confusion in getting the best option.

As we have discussed previously, generally, there are two major types of loans. These are the fixed rate mortgage and the variable rate mortgage. Both types have their own advantages and disadvantages that anyone should consider carefully.

A fixed rate mortgage makes the monthly payments the same all

throughout. Interest rates do not change whether or not there is an increase in the industry. What was set at the very start continues until the entire loan has been paid.

On the other hand, a variable rate mortgage paves the way for some adjustments in the interest rates. If the rates are higher now, monthly payments will increase as well, regulated by a certain interest index. Advantage comes in when the rates decrease at a certain period of time.

If you are after stability, fixed rate mortgages are most suitable. However, if you are willing to gamble a bit and hold on to both possible risks and rewards, variable rate mortgages may be appropriate.

Previous years have shown significant decreases in interest rates. Such phenomenon has prompted a lot of people to prefer fixed rate mortgages. In this way, they have been able to preserve such stable interest rates over a period of time.

Fixed rate mortgages may run from 6 months to 25 years but the agreed upon interest rates are guaranteed in spite of fluctuations in

the market. Security and stability are indeed not a question here so this is best for those with limited and fixed monthly incomes.

However, if you prefer a short-term option, variable rate mortgages seem to be best for you. With this type, you do not have to commit to a certain interest rate for a very long period of time. There is more flexibility.

Moreover, a variable rate mortgage gives the borrowers an opportunity to make the most out of lower rates. The interest rates are normally determined by subtracting a set percentage from a prime rate. This rate is actually what banks usually offer only to their most creditworthy customers. This is, in fact, a source of potential savings that attracts a lot of borrowers.

Studies have shown that although rates are fluctuating, variable rate mortgages still contribute more savings over a fixed one. Most people are simply afraid to take risks. That is why they opt for a more stable alternative. However, statistics show that variable rate mortgages are more advantageous over fixed rate mortgages 88% of the time.

In addition, if you have plans of selling your home after a number of

years, variable rate mortgages will work best for you where equity is easily built. You can even opt to get a balloon mortgage which starts as variable and stops at a certain point. At such period of time, you will be required to settle the remaining balance in full and payment may come from the sales that you have generated out of selling the home.

To be able to know further which is better, it is always advisable to consult an expert in this area. An expert can provide information on the movements of interest rates. He can also provide some insight on the interest rate climate, which may then lead to the consideration of the option that matches well your financial situation.

Nevertheless, do not expect that the process will be easy.

Understanding the interest climate is not straightforward as there may be several influences in the current market. Foreign exchange, inflation, bond and equities markets, and foreign treasury policies are just some of the major considerations that experts look into.

Indeed, both types have pros and cons. It will then be up to you how you evaluate these but it is always important that you know your

financial status as well as your plans for the future. Your evaluation must be as realistic as possible so that you will not end up carrying a burden that is too difficult for you to handle.

Conventional Home Loan

Which is better? FHA Home Loans or Conventional Home Loans?

That is the question. Of course, we all want a good deal especially when it comes to a large purchase worth investing on. Our very own home is an example.

In the movie "Duplex," Ben Stiller and Drew Barrymore considered a lot of pros and cons before they decided to stay in the unit. That is the exact same approach one must use when it comes to buying a home.

Of course, houses be it condominiums or apartments, are big purchases and a majority of buyers are not able to shell out the cash there and then. That is why there are mortgages wherein a customer can pay for the house by installment.

Nowadays, there are two choices for a homebuyer: should he opt for

an FHA home loan or for the conventional home loan? In order to fully describe which is which, we will set the FHA home loan and conventional home loan side-by-side.

1. There are basic requirements for individuals to meet before they are deemed to be qualified for a home loan application. These requirements let first time homebuyers have opportunities that meet mortgage qualifications. With this, it is easier to qualify for FHA home loans than with the conventional loans.

Lending agencies offer conventional home loans. Anybody can apply for this loan, as long as they are determined to buy their very own living abode. The difference with conventional home loan FHA home loan, regarding requirements, is that with the former, it won't be easy for them to acquire mortgage opportunities.

2. FHA is a mortgage program which assists those who, at first glances, would have a harder time meeting the mortgage loans from banks or other lending companies. These financial establishments take a look at their applicants' credit history and once it is tainted with a negative record, the borrower's application may not be approved.

Thus, he resorts to FHA home loans instead of the conventional loans. To know more about various FHA home loans and its requirements, you can easily search the net. The important thing to remember about FHA home loans is that the government does not grant them. Instead these are mortgage loans guaranteed by the Federal Government.

3. FHA home loans may be easier to attain as opposed to conventional home loans but specific criteria must still be met before a borrower can sign up for an FHA home loan. Previously, it has been stated that those who have bad credit report opt for an FHA home loan instead of conventional loans. However, that doesn't mean your credit history will be disregarded when applying for FHA home loans.

With FHA home loans, applicants can state that their income is from non-conventional sources. The down payment is lower in FHA home loans as opposed to conventional home loans. Homebuyers opting for FHA home loans can pay more than the three percent that is required, if they wish to do so.

4. FHA home loans offer various innovative financing options for homebuyers. An example is the program wherein the homebuyer can include the costs of remodeling an old home into the mortgage notes.

Then there are also programs targeted to the senior citizens. It utilizes a reverse mortgage, therefore offering cash for equity. In this way, senior citizens get to earn income.

Conventional home loans rarely have programs such as these. With this kind of home loan, the mortgage rate is calculated first and foremost and the homebuyer must pay up the amount during the given time period.

Now that we have compared FHA home loans and conventional home loans, we see that there is a slight difference between the two. If you want to get your money's worth, then you can opt for the FHA home loan.

Homebuyers turned to conventional home loans when they have decided to purchase their houses. FHA home loans are merely customized versions of the conventional home loan in order to fully provide the kind of service a homebuyer will find more comfortable for his pocket.

In a nutshell, FHA home loans offer a greater option in mortgages compared to the conventional home loans. FHA home loans offer

reasonable interest rates and there is a guarantee to the mortgage company that the loan will be paid by the homebuyer.

Balloon Mortgage

How to Apply For a Balloon Mortgage

Balloon mortgages are short-term loans that act similarly to a fixed-rate mortgage. The first mortgage under it usually has a term of just five to seven years. A fixed-rate mortgage, on the other hand, usually lasts for around 30 years.

In a balloon mortgage, the final payment is always larger than that of the regular payments. After the scheduled term, the remaining balance is due in full. Typically, a balloon mortgage, regardless whether is the first, second, or third, may have a term of anything between one to twenty-five years.

If you wanted to apply for a balloon mortgage, there are certain steps that you have to understand and go through. To guide you with each, read the following:

1. Inquire from the financial institution offering the mortgage. Treat the balloon mortgage to be the same as any other mortgage. If you are familiar with the steps in applying for a different kind of loan, the balloon mortgage's steps are basically the same thing. You have to secure the same documents and sign the necessary papers.
2. Always know what the interest rate is. In a balloon mortgage, the interest rate is almost always fixed for a certain period. For the most part, it may carry a lower interest for the first few years of the loan. It all depends upon the provider. It is your responsibility to know how much interest you have to pay.
3. Know when the balance becomes due. As stated earlier, in a balloon mortgage, the balance becomes due after a certain period. You pay part of the amount in equal installments for the term specified. When the term is up, you are obliged to pay the entire balance. Knowing when you have to pay for it makes you prepared and enables you to plan ahead.
4. Know if there is an option to refinance when the due date comes. So you won't need to pay the balance in one big sum, ask the loaning institution if they are willing to refinance the amount. This is a good

option for people who may not have a large amount of money at once sufficient to cover the balance.

5. Know if there is a possibility to lose the refinance option. Some mortgage companies give out a refinance option to customers but for a set of conditions. They may require mortgagers to be prompt in payment. The refinance option can help a lot. You have to know the guidelines and remember it.

6. Know if you have to qualify for the refinancing loan. Refinancing has become a privilege, and not a right, for people under a balloon mortgage. Some mortgaging intuitions would reassess your ability to pay. Hence, you need to apply for the refinancing loan. The financing institution may require you to pass and sign documents again.

7. Assess your ability to pay. With all of these said, you have to check your financial standing and capability. With the interest rate, the regular payment, and the refinancing option, honestly determine if you can afford a balloon mortgage, or if getting one is feasible. A wrong decision will have big effects on your financial status.

8. Analyze all the possible worst-case scenarios. Before heading on to

a balloon mortgage, or any mortgage for that matter, you have to be prepared for the unexpected things. Examples could be losing your job, an income option, or similar situations. The over-all economical condition of the country may need to be analyzed as well.

9. Consult with an impartial expert. Some financing experts and mortgage gurus are more than willing to give solicited advice to people who need it. Some even do it for free. Try to seek the people who can help you the most. And learn from them.

10. File for the loan. After everything was set and the small things are straightened, you should be able to confidently sign the application form and proceed with it. Just make sure that every detail is well taken cared of. That is the most important thing here.

These are the 10 things you should do when applying for a balloon mortgage. Each step is equally important than the others. All of it are listed so that you will be guided accordingly, as well as determine, if a balloon mortgage is right for you or not.

FHA Home Loan

How to Pre-qualify for an FHA Home Loan

FHA home loans are mortgages that are insured by the United States government, more particularly the Federal Housing Administration. FHA in itself does not make the loans. What they do is that they insure the loans that were in turn, given out by their qualified group of commercial lenders.

With the introduction of the FHA home loan, a lot of low-income Americans were able to secure a loan to purchase their homes. FHA home loans are conceptualized in 1930's during the time of the Great Depression. The government acted to subsidize loaning programs through FHA in response to the growing rate of defaults and foreclosures.

The good news is that FHA is for every American. But they have to follow the set guidelines in applying for it. To know if you qualify for an FHA home loan, here is a checklist that you can use. See for yourself if you can take advantage of FHA's easy mortgage loan plans.

1. First and foremost, you should have a steady employment history. By this, you should be able to prove to the agency that you have at

least two years of service with your current employer. Stability of job and income is the main factor. That's the primary requirement of FHA.

2. You should have an increasing income, or at least, a consistent one. So that FHA can correctly assess your capability to pay, you should show them that in your current job, you are earning a fixed amount. And if in case it is not the case, your income should follow a steady rising pattern, not a fluctuating one.

3. You should be able to boast about your credit history. Your credit report definitely says a lot about your financial status. It is FHA's requirement that all their applicants are in good credit standing. And not only that, they also require that there is not a single payment over due for more than a month within the last two years in their credit reports.

4. You should also show that you've got no history of bankruptcy. Or even if you had, it should be at least two years before. You should also show and that you already had regained financial stability for the past two years. You should be in a good credit standing for two consecutive years.

5. Your foreclosures, if any, should be three years old at the very least.

This one follows the same principle as the bankruptcy rule stated above. It is a must that for the past three years, what you have is a good credit standing.

6. You can only apply for a loan that is 30% of your total monthly income. If you have everything else worked out, remember this last important detail: FHA will approve you a loan corresponding to your gross income. So, do not apply for one that exceeds 30%. Your application will just be denied. Look and settle for a house that is just within the set limits.

These are the different points to consider when applying for an FHA loan. You should qualify in the every step stated here. These are the exact guidelines that FHA is currently following.

But you have to know that pre-qualifying for the loan is just the first step. It is not a guarantee of anything. All it means is that FHA will merit a review of your application and proceed from there. Your dream of buying the perfect house is still in the cooking stages, so to speak.

Pre-qualification is the first step to getting a loan, though. Needless to

say, it is an important step altogether. If you don't pass the pre-qualification stage, there is no way that you will be able to purchase the house that you always wanted, at least not through FHA.

What the pre-qualification step really does is that it assesses your income, your assets, and your ability to pay. After which, you are to show it to the lender waiting in the wings. Then they further study your case. You'll get the loan once they see that you are indeed, financially stable.

With all these said, go ahead and start evaluating yourself for an FHA home loan. Take advantage of what they are offering today. This is your chance to own the house of your dreams. Take it while it is still there.

VA Loans

VA Loans and How it Works

VA stands for Veteran Affairs. And loans are given out especially to these people, the veterans, who at one time or another had fought for the United States. The United States Department of Veterans Affairs

has been rightfully organized to further ensure that the veterans are receiving their rightful privileges.

One of VA's projects is to provide a \$100 million dollar budget to develop a transitional housing. The housing project is for homeless veterans, and is to include supportive services for them. Loans are then given out in aid of the communities that have the great need for housing.

The VA loan program is composed of two stages. Stage 1 is the process of assessing the project's feasibility and eligibility. Stage 2 is the process of reviewing credit reports as well as financial information of the sponsor. Sponsors are big companies and financial institutions, including the developers of the housing program.

To make things clearer, here is a more detailed illustration of the two stages of the VA loan application processes.

1. First, the Department of Veterans Affairs issues out a Notice of Funds Availability. A NOFA is a document containing the announcement, as well as the invitation, of the United States Department of Veterans Affairs to financial institutions for them to

guarantee a certain loan, which is a for a multi-family transitional housing loan.

2. Then, the Veterans Affairs office accepts each submitted application. This is the actual Stage 1 of the entire process, as stated above. VA receives all the requests and the declaration of interest given by the companies and institutions that are willing to guarantee or sponsor the project.

3. The VA approves the projects. After a series of in-house scrutiny, the list of approved institutions is sent out. Along with the approval, VA also issues the conditional commitment that is expected out of the eligible projects submitted. This third step is the last one for the first stage of the application process.

4. VA requests for documents. With the companies and institutions whose projects were approved, VA continues on with Stage 2 of the process wherein its office individually inspects the credit standing of the institutions. This time, all approved projects under their respective institutions are background checked. This is to ensure that the funds for veterans are going to utilized solely for its purpose.

5. The Department of VA studies the applications. After all papers are in, the Department of individually checks the application process. It does that by assessing and validating every document that is submitted to them. Doing so will help them greatly to determine the capability of the applicants.

6. The Department approves the applications. After the long deliberation and thorough research, VA is ready to approve the qualified applications. This time, a firm commitment is issued along with the approval.

7. VA closes and the loan. As the loan is closed, VA issues a guarantee on the loan. This is the last step of the entire process. At this point, VA is now ready to release the funds that were expected.

These are the seven steps that are religiously followed every time the United States Department of Veterans Affairs is ready to give out a loan. The steps may seem long and tedious, but this are the ways VA determines the entities going to them are worthy to take the funds.

After the project has been completed, the veterans, who are actually the direct beneficiaries of the funds, become eligible to occupy the

project's premises. The required supportive services are in place to further help the veterans make their respective homes permanent.

The main objective of a VA housing program is to make veterans self-sufficient. Along with their homes, they are also given job-counseling services. Veterans who become a resident are aided accordingly for them to maintain a regular employment or a definite source of income.

The project sponsors of a VA loan are allowed to charge the respective veteran resident a reasonable rent. This is called a residential rent in a relatively reasonable amount set in exchange of his occupancy of the house. And again, he has the option to apply for an individual loan to make his respective homes his own.

The United States Department of Veterans Affairs has certainly covered the housing requirement of every American veteran. With the VA loan always ready, veterans need not worry of their future, and how to secure their own home.

Contract for Deed Home Loan

The Advantages and Disadvantages of Getting a Contract for Deed for

your Home Loan

Using a contract for deed for a home loan may be very advantageous for both the buyer and the seller, provided that it is prepared properly and smoothly. However, contracts that are not really drafted well might cause great difficulties that could affect either party for many years ahead. Thus it is very important for both the seller and the buyer to carefully scrutinize all the limitations and possibilities afforded by the contract for deed prior to finally subjecting themselves to the arrangement, which is most effectively done with the assistance of different attorneys.

What is a contract for deed?

A contract for deed is basically the agreement to sell and buy a real estate property wherein the seller will hold the title until the time when the contract's provisions have been filled, usually upon full payment of the property. In this case, the buyer may already occupy the property and make the payments as stipulated. Upon completion of payment the seller will pass the title by recording the deed.

How does the contract for deed affect the buyer?

Contract for deed helps buyers save a lot of resources that they can allocate for other things. This happens primarily because the down payment involved with contracts for deed is usually very low, making it easy for buyers to acquire ownership of real estate without having to expend much of their capital. This leaves them with more capital left that they can use to earn more resources or in other necessary activities.

However, since the down payment for contracts for deed is very small, this translates to higher rates for the remaining balance, which then means that a larger part of the principal price would be covered by the interest. This also gives the tendency for the amounts payable to be high as well, especially if the contract is written for a short duration.

Buyers would have no guarantee that they would be able to handle the amounts needed for payments in the future. For this, buyers should be certain about the cash flow they would get throughout the duration of their contract for deed. Otherwise, the seller might forfeit the property easily when the buyer is unable to do its part since the title is already with the seller.

Nevertheless, this agreement is still more secure for the buyer especially when compared to renting the property. The buyer may have the contract written to an heir or spouse that greatly eliminates the chance that the property would be divided should an estate settlement proceeding be called for.

How does it affect the seller?

A great benefit of the contract for deed for the seller is that it allows the distribution of the tax reports for capital gains during sales over the contract period instead of just in the year the property was sold. While this does not at all entail the altering of the entire amount of the capital gains report, it typically allows the seller to make substantial tax savings.

As mentioned earlier, this agreement provides the seller the legal title for the property, as well as the deed. The property automatically belongs to the seller should the buyer fail to fulfill the provisions in the contract. The seller would also retain all the payments made for the property.

Some sellers see contract of deeds as the only way they can sell some

of their properties that are difficult to vend. Most of such properties are those that could not conform to the traditional guidelines for lending.

However, the seller might not benefit from the low down payment allowed by the contract. If immediate money is a priority for the seller then this is something that a contract for deed would not be able to give. This arrangement may not be beneficial for sellers who need money more than they need tax breaks.

Depending on the situation, contract for deed may be a great arrangement for your home loan. However, before making any agreement of this kind, you must get sound advice from people who are knowledgeable about the topic. To know more about contracts for deed, you may get some consultation from your real estate lawyer and other real estate experts.

How to Qualify for a Home Mortgage Loan

How to Qualify for a Mortgage Loan

Applying for a mortgage loan is quite an important step for many

people. However, many are quite adamant about actually applying for the mortgage loan simply because people are not sure what they need to qualify for one. The qualifications of a mortgage loan are actually not that complicated.

Here are some of the general guidelines of how you can qualify for a mortgage loan:

1. If you have filed for bankruptcy, you should wait for at least 2 years since your final discharge date.

2. If you have had a foreclosure, there should have been at least 3 years since the foreclosure had been finalized.

3. You should have had no late payments with your previous credits for at least one year (12 months). But if you have had a great credit record for several years and you had some little occasions of late payment, your application might still be considered. Usually, lenders watch out for late payments that are 30 days behind or more.

4. Your rental payment history might also be checked. You should have punctual payments for at least, the last 2 years to prove that you

pay on time.

5. Usually you might get disqualified for a mortgage loan if the government has guaranteed your student loan to be default. However, there are cases the disqualification may be lifted provided that you have renegotiated your repayment schedule for the loan and you have made punctual payments again for the past year.

6. All of your account that is in a collection status should be repaid prior to the application for the mortgage loan.

7. Judgments ordered by the court should already have been paid in full. Those cases that involve child support should have payments that are current and caught up.

8. If you are self-employed or your income is based on commission, you would usually need to have been receiving a steady income from that source for at least two years in such a way that the lender would be able to account for your average income. There may be some exempted cases, however.

9. Lenders would usually only account for bonus or overtime pay as

part of the “qualifying” source of income if you have had a history of bonus or overtime pay from your present employer for at least a year or two. Your employer should verify how much overtime hours you have served or how much bonus income you would be getting for such sources of income to be considered.

10. If you have two jobs, your secondary income may usually be counted as part of the qualifying income when you have had a continued history of earning from both jobs in the past two years, otherwise, only one job may be included in the qualifying income.

11. If you have been receiving income through child support, you should have been receiving income consistently. You would be required to submit a history of the payments made for the child support. Usually, if your child support status has just been awarded recently, it might not be considered as a qualifying source of income.

12. If you are currently being sued, or if you are currently involved in any legal matter such as an ongoing divorce suit, you might have to wait until the lawsuit becomes settled before you could apply for a mortgage loan.

What is the point of these qualifications?

Lenders carefully scrutinize your qualifications in order to ascertain how much the maximum amount of money you could afford to pay them ever month. They do so by fitting your information into certain formulas that give fairly accurate predictions. Should these predictions prove that you can afford to pay the monthly dues that will be stipulated by the loan, you are most likely to be granted the mortgage loan.

The importance of having a clean or at least a decent record cannot be over stressed when it comes to getting a mortgage loan. However, if you have had some small stains in your record, lenders provide considerations such as specified above. Knowing these, you can pretty much estimate if you would be able to qualify for a mortgage loan or not.

Home Loan Interest Rates

More on Home Loan Interest Rates

Getting a home loan is one of the very important aspects of modern

living, and one of the most important parts of this endeavor is the interest rate. However, a lot of people cringe at the very mention of interest because of the common image that is another venue for expending money. But this intimidation in turn results into the little knowledge about interest rates that most people have.

To conquer the fear of something, one should know more about it. Here is a little some useful information about home loan interest rates that could help one get acquainted with home loans in general:

What are the two types of home loan interest rates?

There are two major types of home loan interest rates available for people who are planning to borrow money to buy a house. The first is the fixed rate home loan, in which there is a fixed interest rate as well as monthly dues extended over a fixed period of time, such as 15 years or 30 years. The second type is the adjustable rate home loan, where the interest rates vary up or down according to the fluctuation of the interest rates in the market.

Fixed Rate Home Loan Interest

Fixed-rate home loans are generally the more popular type of interest rate scheme among the two. They are very popular mainly because people are quite adamant about the image of their home payments falling down or rising up because of varying interest rates. People usually get fixed-rate home loans whenever the rates offered for a particular time are quite low, making the mortgages quite affordable for them.

Fixed-rate home loans are generally divided into two types according to the duration of loan 15 or 30 years. Some people believe that 30 years is quite reasonable, while other think that 15 years is more so. Here are the advantages and disadvantages of each type of fixed-rate home loans:

30-year Home Loan

This type of fixed rate loan provides the borrower a chance to loan money for a long time without being bothered by fluctuating payments and interest rates. Many people believe that this type of loan is more affordable because the monthly payment rates are significantly lower than those involved in a 15-year loan since the interest rate is distributed over a wider period of time. The smaller increments of

monthly payments allow the borrower to allocate their resources to other investments, which may help them maintain their houses better.

The disadvantage of a 30-year home loan is that it takes very long for borrowers to develop equity since the payments made during the early portions of the loan term just go mostly to the interest instead of the principal. When computing the overall interest rates, they are significantly higher than that of a shorter-term loan since the term for amortization is much longer. The interest rates for this type of loan are also significantly higher than for the 15-year home loan.

15-year Home Loan

This type of home loan is good for others because they allow the borrowers to develop equity significantly faster because the amortization schedule is shorter. When computing for the overall interest, the borrower would get a significantly lower total than those who are on a longer term. Interest rates for this type of loan are also significantly lower than for the 30-year home loan.

However, some people cannot afford this type of loan because the monthly payments may be very much higher than with the 30-year

home loan. Typically, buyers could only acquire houses of smaller value than what they may be able to afford with a loan of a longer term.

Adjustable-rate Home Loans

Despite the idea of fluctuating interest rates, some people prefer adjustable-rate home loans. Those who do generally understand that the interest rates do not really rise or fall like a seesaw. Adjustable-rate home loans actually start with fixed rates for a particular, longer period and then followed by a significantly shorter period of adjustable interest rates.

What is good about adjustable-rate home loans is that the fixed interest rates for the initial period are very much lower than that of fixed-rate home loans. And this fixed-rate portion of the loan is very much longer than the adjustable part. For instance, the fixed-rate term might be 10 years long, while the adjustable rate term would be just a year. Some people actually get to save more in such scenario.

However, people still have to be careful when getting adjustable-rate home loans. Careful study must be made to ensure that interest rates

in the adjustable part of the loan do not rise dramatically.

Knowing about the types of interest rates for home loans is an important factor when planning to borrow money to buy a house. To know more about home loan interest rates, it is best to consult with loan experts.

Credit Rating and the Fair Credit Reporting Act/ FCRA

The FCRA and Credit Rating: What They Can Do for Mortgages

Let's explore the importance of your credit rating further.

A home mortgage (usually involving a bank but not limited to it) is simply a pledge or commitment in which a homeowner offers the title of his property as a form of security for a loan – you place your home as the collateral. When you get your loan, you are required to pay a certain amount at different intervals, depending on what is agreed upon, and if you don't, you could potentially lose your home.

However, not everyone can easily get a loan, especially from big banks and financial centers. Think about it – you yourself would be hesitant if a complete and total stranger came to you and asked to borrow some

money, right? That is right about the same case when it comes to borrowing money from a bank or lender.

How do you go about securing a loan? You have to apply for it, which is no guarantee that it will be granted. Banks, financial companies, and other lenders will have to consider carefully your profile, particularly something called a credit rating.

Credit rating

A credit rating is something that is drawn up from credit reports, which details your credit activities such as borrowing, debt, payments, etc. Basically, the credit rating details the amount of credit that can be lent to a person without unwarranted risk. This essentially means that the higher your credit rating, the higher the loan amount you can get.

To get a good credit rating, which entails that the chances for you getting a loan (including the amount you need) are much higher than normal, you simply need to pay your bills and loans on time, as well as other financial obligations. A good credit rating is obviously much better than a lower one, since your financial opportunities are much wider than when compared to having a low rating, which severely

limits what you can do financially.

Credit reports

It was mentioned that the credit rating comes from credit reports, so you might be asking, what are credit reports? They are actually the ones where your credit activities are recorded – including loans, balances, unpaid debts, along with a little bit of background information. These credit reports are gathered by credit bureaus, also known as a consumer-reporting agency.

You might be wondering why such agencies exist – basically they are there to stabilize the financial market. Also, there is no need for you to worry, as they exist legally, with the knowledge of the government, including what they do. In fact, there is a law called the Fair Credit Reporting Act (FCRA).

Fair Credit Reporting Act

This is a federal law which regulates consumer credit information. By regulating this consumer credit information, credit ratings can then be properly given out with most, if not all, of the information at hand.

There are certain rules and regulations that the consumer reporting agencies have to follow, which are found in this particular federal law.

This law is actually beneficial to the consumers, the consumer reporting agency, and the lenders. This law makes clear some of the potential problems that may arise between consumers and their credit rating, and tries to prevent that from occurring. Consumers themselves are entitled to one free credit report per year, thanks in part to the Fair Credit Reporting Act.

In summary, you may probably want or need to get a loan via a home mortgage. If that were the case, it would be in your best interest to have a good credit rating that is reflected on a very positive credit report. Since the credit rating and credit report are taken into great consideration when applying for a loan, the amount of credit rating you have proves to the lender how good you are when it comes to dealing in finances.

How To Build A Lender-Friendly Credit Report

Successfully Building a Lender-Friendly Credit Report

When seeking a mortgage loan we can't emphasize the importance of

credit worthiness enough.

Logically, lending institutions would first want to know the person they are lending money to, because there is always the risk that they will not be paid back, or will receive incomplete payments. This is the reason why there are credit reports. These credit reports are simply records and listings of credit activities, including credit card accounts, past and present loans, unpaid balances, and even how quickly you pay your bills and debts.

Credit reports ultimately affect your credit rating, which the lenders look at when deciding whether or not to loan you money, including how much. These credit reports come from consumer reporting agencies, which are bodies tasked to collect and properly distribute to the proper recipients these reports regarding the consumer. Don't worry, these credit reports cannot be distributed to just anyone, or else they would be in violation of federal law.

In order to have a greater chance at securing a loan, your credit report and rating must be in good standing. Take note, it is not the consumer reporting agency that declares whether you can get a loan or not – it is the lenders themselves. The consumer-reporting agency merely

provides the necessary information to give the lenders some background about the person asking for a loan.

A credit report usually contains identification, credit information, public records, and recent inquiries. Identification contains any relevant information including name, address, work history, etc. Credit information contains any credit card accounts, credit limit, bills paid and unpaid (if any), and the like. Public records are simply any state or county records while recent inquiries are those who have acquired your credit report within the past year.

In order to build a lender-friendly credit report, these factors must be addressed and should reflect your good standing. These parts of a credit report should complement each other and show that you are basically a person to be trusted with the money that they lend. Any suspicious data that they find could potentially be the key to the lenders not approving the loan.

For the identification part of a credit report, they will take a look at your work history, so if you have job instability, it will reflect on your credit report and would likely discourage them from loaning you money. It would be better if you stick to a job for quite some time

before changing work. They will also take a look at the companies you've worked for, if these are in good standing as well.

With regard to credit information (which is perhaps the most important part of the report), you should make sure to pay any bills on time – electricity, water, telephone, cable, etc. Unpaid bills are a big discouragement to lenders, including any previous loans that you may have paid in full, but after the agreed-upon time. If they see that you are a responsible person when it comes to finances, you have a better chance of securing a loan, also with a higher amount.

Public records are usually used to see if you've been paying your taxes properly. This, like credit information, shows them your responsibility in financial dealings. They will also state if you have filed for bankruptcy and the like.

The deed of your home (to be used in home mortgages) is sometimes not enough for the lenders – they actually want to look at your credit report and deduce if you are able to pay the loan, and if you're good in handling finances. If you have a good credit report and subsequently a good credit rating, a loan or home mortgage is not as difficult to obtain. It is important to keep in good standing financially, since

consumer reporting agencies are observing you carefully.

Save a Sizeable Down Payment

Take the First Step to Your Dream Investment: How to Save a Sizeable Down Payment

Only recently, you have decided that you are finally mature enough to own your very own home. You have looked around your neighborhood for some potential good-buys, and thanks to some good fortune, have found a considerable number of candidates.

You've short-listed a number of houses and have made the list even smaller by choosing your top 3 favorites. Now it's just a matter of determining if you will be able to pay for one of them.

And with the matter of payment comes first the issue of a down payment – or more specifically, the issue of where to get your down payment. You would really want to be able to purchase your house as soon as possible, before the prices rise and ultimately become out-of-

reach. The question is how are you going to do it?

Ideally, you should be able to pay 20% of the total price of the house as down payment. This is an ideal rate for both the buyer and the lender. At 20% a buyer will be less likely to give up on the loan than at 10%, ensuring both the lender and the buyer that they will be able to gain from the transaction.

So how do you get that all-important 20%? Some people think there's only one way to save for that down payment, and that includes saving a certain amount of money every day, every week, or every month, until your savings amount to the down payment you need.

And while the above-mentioned method is a sound way of saving, you shouldn't be limited to it: there are a number of other ways that are less time-consuming and just as effective in helping you overcome that down payment hurdle that's keeping you from your dream home.

Read on to get some useful tips on how you can save a sizeable down payment.

Tap Into Your 401(k)

To get that down payment, you can tap into your 401(k), which you will have to pay over a period of five years or more, with interest. This method, however, has both advantages and disadvantages.

One of the advantages of getting a loan from your 401(k) is that it is not considered a debt by lenders when they assess your debt qualifications.

A major disadvantage of loaning from your 401(k), however, is that should you have or decide to leave your current job, you will have to pay the loan in full 90 days before you quit or you are officially terminated.

Ask for the Help of Non-Profit Organizations

Individuals with a low to moderate income may ask for the help of non-profit organizations that have programs which are aimed at helping people get the opportunity to buy their own home.

Some organizations have volunteers who rebuild old houses, and afterwards tie up with lenders who offer low-down payment or no-

money down loans for buyers. Some also require that potential buyers invest on their homes with “sweat equity” – that is, by helping in building their own home as well as other people’s homes.

Mutual Funds

If you’re willing to wait a few more years to be able to get a down payment for a house, you can consider investing your money in mutual funds and time deposits. Ask the help of a financial adviser to help you decide where your money will get the most returns.

Control Your Budget

If you still plan to take the save-until-I-have-enough route, then here is a very helpful tip on how you can save more effectively for that down payment.

Write down everything you purchase. Don’t leave anything out – even if it’s a small candy bar that cost you a dollar. Do this for a week, and afterwards assess your spending habits. See what you can improve on, and what expenses you can avoid. Divide your expenses into categories and allocate a certain amount of money for each category.

Ask the Expert Advice of Your Realtor

If you're really set on buying a house, perhaps it's best to look for the services of a realtor. He will be able to give you expert advice on the best way to pay for your house. Just be sure that you have a trusted and credible realtor.

With the right determination and the right method that's most suited to your saving and spending habits, you'll definitely be able to save up for a house of our own.

Why You May Have to Accept a Higher Interest Rate

We discussed interest rates earlier. But, what happens if you find yourself having to accept a higher interest rate

Interest rates are indefinite. They change from time to time. It is very normal that you are told to choose home loans that have very low interest rates so as not to burden your financial situation. This is a very wise and obvious choice any person will take especially if your aim is to pay for less.

Low interest rates aid in the reduction of more expenses but have you ever considered choosing a loan that has higher interest rates? As unwise as it may sound there are times that getting higher rates might be a better option for you. If you don't really have that much of a choice because of your credit rating then this is one alternative you will initially have to bear.

Looking for a mortgage loan that will fit your budget is already difficult what more if your credit rating is as awful as hell. You have to wait for approval and accept the fact that you might get a lot of turndowns. This is normal for someone with that kind of background.

Relax though, it happened already and all you have to do is to face it. Your goal now is to pay for that house you have been wanting, focus on that and stop feeling sorry for yourself because that will not be of much help to your current situation.

Before you start saying to yourself that you won't get that home loan, here are a few things to do so you can have a better edge in getting that loan.

For starters, it is always best to think positive. Positive thoughts will bring positive results. Do not be sad and depressed from one turn down. Be strong and realize it is not the end of the world. You have a lot of options.

Sit down and be honest with yourself. Write down your expenses. Cut all the unnecessary expenses in your list. Keep only those that are really important like your utilities, food and rent. Unimportant expenses must be out of your list. Know your monthly income and divide it according to your needs.

After all that division, look into what is left. That is what you can use to pay for your future loan without having to risk your health or your electricity.

Now that you know what you can really afford it is now time look around. Look around for companies that give loans for those who really need it and collect all information about them and what they can offer. Look into more than three companies so that you will have better options.

As with any home loan it is still best to search around for companies

that give considerations to people who have a bad credit rating. They may give you a higher interest rate than the normal but looking at it in a better light; you will get that home loan. Hooray! You will get your house after all.

Hold down your horses. Just because you got your loan it doesn't mean all is well now. You must remember to pay promptly and with the proper amount that was talked about.

Late payments have added fees that go along with them. Aside from the high interest rate you will add for the payment of your loan the late fees will further worsen your situation. You do not want such thing to happen especially if saving is your main priority.

Owning your own house gives us a sense of fulfillment that is unmatched. This is because it is not simple in getting one specially if your salary is limited and may only suffice with your needs.

Do not fret though; companies that give home loans are good aids in achieving our dream. Just make sure you know what you're getting yourself into and that you know every nook and cranny of the contract. Ignorance can never be an excuse.

Determination and proper research will be your key to your dreams. Remember the company is lending you this money because they trust you to keep your contract as discussed.

So accept that interest rate and get that house you have always wanted to call your own. You deserve to have that roof on your head that is yours and yours only. After all you worked hard for every single penny.

Important Things to look for in a Lender

Choosing the Right Lender

Loans are often difficult to obtain, especially with credit reports and credit ratings made easier this time with the advent of technology. Some banks, financial institutions, and other lenders are very picky when it comes to the person applying for a loan, home mortgages included. You can't really blame them, since they are just being careful with their money, just like any normal person would.

Lenders look for specific things when deciding whether to grant a loan or not, and this is usually reflected in either the credit rating or credit report, or both. However, being careful or specific when it comes to decisions should not be with the lenders only. The borrowers themselves can search for a specific lender, one that offers them the best deal and where they would be most comfortable.

Lenders can come at various descriptions – national banks, financial and money lending institutions, up to small money lending businesses. They all are unique when it comes to their lending policies, which is a good thing because borrowers have the freedom to choose. In looking for the best lender for you, here are just three important things to consider:

First, the ability. Yes, lenders, no matter how big or small they might be, should have enough money to be able to lend you what you need, so it's not really a question of their capability, since they won't be in that business if they couldn't lend. This is normally the area where national lenders beat out their local counterparts.

Ability refers to the various loan types that lenders can offer – which translate to diversity in products. Because a national lender has access

to capital in any kind of economic environment, they often have more to offer than locals, which have fewer sources that potentially could dry up. As a borrower, you ought to consider the ability of the lender in various sources, including services during the loan (which could translate to less hassle), of which national lenders are advantageous.

Second, rate of interest. As is often the case, local lenders have more of an advantage here as they usually bring their interest rates down in order to entice borrowers to do business with them. It is understandable that they do this so that their national counterparts would not be able to monopolize the business locally. Nationals usually have a fixed rate that would have to go through some channels in order to be lowered, which is not much the case with locals.

Since the rate of interest determines how much you will be paying over the course of the loan, this is an important factor to look out for, particularly for the borrower. One percentage point can make a big difference between the borrower being able to pay the loan or not. The consequences of not paying a loan can be grave, both for the short term and long term of it, so this particular factor should be taken into consideration carefully.

Third, accessibility and relationship. As a borrower, it would be more to your benefit if you establish a good working and professional relationship with your lender. Sometimes, this is a hard task to accomplish, while sometimes it can be easy, and so it's more of a case-to-case basis. A poor relationship with your borrower can potentially lead into a lot of different problems.

In accessibility, there are some things to look out for. One of these is what types of clients the lender loans money to – since there are some that require a higher credit rating, while some deal only with those who have bad credit. It would be better for you to know beforehand what type of borrower a certain lender does business with before actually applying for the loan.

In relationship, a one-on-one professional relationship with a lender is recommended. This is for your benefit as you will be updated and reminded as to the status of your loan, whether there is a payment soon, any potential problems, and the like. If there is no, one-on-one relationship, there could be problems.

These are just three important things to look for in a lender. There are some more, but these are some of the most important. By following

these three, you are well on your way to choosing the proper lender for you.

Please visit <http://Personal-finance-info.org> for updates and other resources.