



## Learn the Top 7 Things to Know Before Applying for a Home Loan

### Description

Whether you're applying for a house loan for the first time or an experienced buyer, there are a few things to keep in mind to make the process as straightforward as possible.



Here are some pointers to help you feel more confident while applying for a mortgage.

### You Must Pay All of Your Bills on Time

It's critical to have a strong credit history when applying for a home loan, which includes paying all of your obligations on time, every time. Late payments may harm your credit score, which can influence whether you're approved for financing and, ultimately, the rate and duration you're offered.

Even when your house loan is paid off, it's critical to pay your expenses on time because it may damage your ability to apply for future loans.

### Be Wary of Job Transitions

When preparing to buy a home, it is critical to have a consistent employment history. After all, you must

demonstrate that you have the financial stability and continuity to repay the loan.

“Requirements may vary depending on the sort of employment you have, but there is no set time on the job required for most salaried borrowers,” explains Bill Banfield, Executive Vice President of Capital Markets at Quicken Loans. “Lenders will go at a two-year job history, taking into account schooling or military experience.”

You may be requested to give additional job history and income information depending on your position. There are various income scenarios, and your lender will be able to tell you what is and is not an acceptable source of income.

## **Conduct Your Own Investigations**

With so many home loan options available, choosing the best one for you may be challenging. While a Quicken Loans Home Loan Expert will work with you to discover the best solution, you must understand the fundamentals of fixed-rate, adjustable-rate, FHA, and VA home loans.

It's also a good idea to look into any loan fees, and you should check your credit report to see where you stand with the credit bureaus.

## **Check to See What You Can Afford**

After you've done your research, it's time to figure out how much you can afford to spend on a property. Quicken Loans' Mortgage Calculator allows you to enter real numbers based on various scenarios and current mortgage rates.

For example, most budgets recommend allocating 28 percent of your post-tax income to housing payments, including homeowners insurance and property tax. For example, if you earn \$60,000 after taxes, 28 percent of that is \$16,800, or \$1,400 a month.

Every circumstance is unique. You may have charges in your monthly budget that impact your bottom line, such as child care, auto payments, or school loans; the main thing is to establish a monthly payment that you can live with.

## **Choose Wisely**

Just as it is critical to examine all of your loan alternatives, it is equally crucial to spend some time researching possible lenders.

“Most people begin the conversation with, ‘What’s your rate?’” Banfield adds. “That inquiry has apparent value, but it’s the wrong method to identify the lender you’re looking for and the funding you require.” You’ll spend 30 days applying for a mortgage and 30 years paying it off.”

According to Banfield, the following are some considerations to consider when looking for a lender:

A working knowledge of the lending choices available

What rate, point and charge options are available?

The reputation of the company (You can use the J.D. Power survey to validate your findings by ranking lenders and servicers in terms of client satisfaction.)

## **Refrain from Opening New Accounts**

If you're looking for a new place to live, chances are you'll want to furnish and decorate it as well. While the "furniture sale and 5% discount on all purchases" credit offer may appear appealing at the time, it's advisable to wait until your loan is completed before creating any new credit accounts or lines of credit.

Each loan has its own set of terms and restrictions, and taking on more debt could affect the loan you obtain or change one that is already in the works.

## **Continue to Hold Off on Closing Existing Accounts**

Every item on your credit report contributes to your credit history, which is a record of your responsible debt repayment. The longer your credit history, particularly if you have a strong payment history, the better. When applying for a home loan, do not close any existing accounts, even if they have no balance.

## **Shop with Confidence in the Buying Process**

You've undoubtedly heard how important it is to get preapproved for a loan before you start looking for a new house, but you might not realize what it entails. In general, pre-approval means that a lender evaluates your creditworthiness and gives you an estimate of how much money you can borrow. Unfortunately, the standards for this differ between lenders, making it difficult for a seller to feel confident in an offer based on a pre-approval.

The Power Buying Process<sup>TM</sup> from Rocket Mortgage<sup>®</sup> by Quicken Loans eliminates all of this ambiguity, allowing you to know exactly where you stand in the mortgage process and make a solid offer when the time comes.

The Power Purchasing Process has several layers of approval: Prequalified and Verified Approval<sup>SM</sup>, 1.

Quicken Loans will verify your credit and look at any revolving debt you have to get a Prequalified Approval. We'll also need you to estimate your entire income and assets. We'll check your income and assets in the next phase, Verified Approval. This additional verification gives you confidence in your ability to close on your new house.

While no two clients are alike, following these guidelines may help you set yourself up for success and a direct, seamless house buying experience.

### **Category**

1. Finance

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