



Do you qualify for a loan?

Like most people, you will probably wait until submitting a purchase contract on a home before applying for a mortgage. By then, not only will you know the specific property you want, but also how much you need to borrow. At that point, the lender will require that you fill out a loan application and reveal specific information about your current and past financial situations.

The following checklist is a good place to start for gathering the information you will need:

- Original purchase contract (the loan officer will make a copy and return the original to you)**
- Copy of earnest money (deposit) cancelled check**
- Employment history details**
- Last two years' W-2 forms**
- Last two years' income tax returns**
- Paycheck stubs for past 30 days**
- Verification of secondary income (for example, investment accounts, bonuses, a part-time job, child support or social security income)**
- Assets: Account numbers, balances and branch addresses**
 - Checking**
 - Savings**
 - Stocks/bonds (current market values)**
 - Other:**
 - Other:**
- Debts: Account numbers and addresses**
 - Auto loan(s)**
 - Boat loan(s)**
 - Student loan(s)**
 - Credit card**
 - Credit card**

- Other:
- Other:
- Explanation of any credit problems (for example, previously declared bankruptcy, excessive credit card debt)
- Divorce or separation documents (if you receive or pay alimony or child support)
- Landlord's name and phone number (if renting)
- Disposition of present home (if you already have a home, do you plan to sell it or rent it out?)
- Person who will give lender access to lender's appraiser (name and phone number)
- Your check for appraisal, credit report and/or loan application fees (your lender will provide the cost information)

Pre-qualifying vs. Pre-approval

If at all possible, it is best to begin the loan approval process before you find the home of your dreams. Otherwise, you may hit a roadblock when you apply for a mortgage and the application is denied. If the seller has other buyers waiting, or needs to sell quickly, you may lose your chance for that particular property.

There are two ways to help avoid this scenario:

1.) Become pre-qualified for a loan: All you need to do is speak to a lender, who—based on asking you some questions about your finances—offers an opinion of the loan amount you are eligible to borrow. The lender doesn't ask for any supporting paperwork to confirm what you say, and can change his or her mind when you come back to apply for a loan. There's no charge for pre-qualification.

2.) Become pre-approved for a loan: This process is more complex and sometimes involves a fee. The lender will want information about your employment, income and debts to prove that you are a good risk.

Obviously, a lender's pre-approval letter carries more weight with a seller than a pre-qualification letter because it is proof of your buying power on paper. Being pre-approved gives you an advantage when you're among several buyers pursuing a property.

Pay off other loans.

If at all possible, consider paying off any high-interest loans before applying for a mortgage. The more debts—like car loans or credit card balances—that appear on your mortgage application, the smaller the loan amount the lender will be willing to offer.

Don't pull a Pinocchio!

Never inflate your income or lie about employment dates. Not only is it illegal to falsify documents, it's also a federal offense! And lenders can usually catch people who lie or greatly exaggerate information on their applications. If you lie, you will most likely get what you were trying to avoid all along, a denial for your loan.