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Mortgage Requirements

The Pre-Approval Letter

Nothing screams “**I’m not really serious**” like going to look at houses without a pre-approval letter. Pre-approval lets you know exactly how much mortgage you qualify for so that you don’t waste time looking at properties you can’t afford. Generally, the higher your score, the more likely you are to be offered better credit terms.

The Process

Everyone feels anxious now and then. It's a normal emotion. Many people feel nervous when faced with a problem at work, before taking a test, or making an important decision like buying a new home. You probably think mortgage requirements are tougher than they are, so I'd like to ease any anxiety you might have.

The process of qualifying for a mortgage is much easier than you think and is primarily based on these key factors:

- **Income** | Your gross income determines the monthly mortgage payment you can afford.
- **Credit report/score** | A satisfactory record of paying your bills on time is an important part of getting a home loan. Make sure you check your credit report well in advance to give yourself enough time to spot any issues that might raise concerns.
- **Credit cards/other debt** | If you're carrying a balance owed on your credit cards and other debts, it may impact your credit score.
- **Employment status** | Be prepared to provide pay stubs, bank statements, and tax returns in order to verify your work history.
- **Down payment** | Your down payment is a % of the purchase price and the amount can range depending on your finances and loan program. Depending on your credit history, you may need a smaller or larger down payment to reach your desired monthly payment.

Our Loan Officers have the knowledge and experience to help you understand your options and to make the right choice. They've issued hundreds of thousands of loans for all types of buyer situations. If you have questions about financing, feel free to contact Antonio at any time.

Lender Required Documents

1. Tax returns

Mortgage lenders want to get the full story of your financial situation. You'll probably need to sign a Form

4506-T, which allows the lender to request a copy of your tax returns from the IRS. Lenders generally want to see one to two years' worth of tax returns. This is to make sure your annual income is consistent with your reported earnings through pay stubs and there aren't huge fluctuations from year to year.

2. Pay stubs, W-2s or other proof of income

Lenders may ask to see your pay stubs from the past month or so. Your tax returns help give them a clear idea of your overall financial health, while pay stubs help them gauge your current earnings. If you're self-employed or have other sources of income (such as child support), you may need to show your lender proof through 1099 forms, direct deposits or other means.

3. Bank statements & other assets

When assessing your risk profile, lenders may want to look at your bank statements and other assets. This can include your investment assets as well as your insurance, such as life insurance. Lenders typically request these documents to make sure you have several months' worth of reserve mortgage payments in your account in case of an emergency. They also check to see that your down payment has been in your account for at least a few months and did not just show up overnight.

4. Credit history

In order to assess you as a borrower, lenders often pull your credit report — with your verbal or written permission.

According to Bruce Ailion, a real estate agent in Atlanta, you may need to explain any blemishes on your credit report. Blemishes might include a previous short sale or a foreclosure.

“You should be prepared to write a statement that explains negative items on your credit report,” Ailion says.

“This helps a lender evaluate what kind of risk you are. Lenders may look at one-time unavoidable circumstances differently from habitual delinquency.”

5. Gift letters

Your friends and family might help you buy a house by giving you money. If that’s the case, you’ll need to provide a written confirmation the money is indeed a gift and not a loan. The documentation should list their relationship to you as well as the amount of the gift.

6. Photo ID

You’ll likely need to provide a photo ID, such as a driver’s license. This is simply to prove you are who you’re claiming to be.

7. Renting history

For buyers who don’t already own a home, many lenders will request proof that you can pay on time. They may ask for a year’s worth of canceled rent checks (check that your landlord has cashed). Or, they might ask your landlord to provide documentation showing that you paid your rent on time. Your renting history is especially important if you don’t have an extensive credit history.
