

TOP 5

REASONS LENDERS

Tell You No



Congratulations. You've made a great decision buying this book.

My name is Chris Singletary. I've been in the mortgage industry over 20 years, helping first-time homebuyers, investors, people with their dream homes and downsizers, get the homes they want.

Over the years, I have found several things to be true in the mortgage industry. Over and over, people will shoot themselves in the foot without even knowing why lenders are telling them "no" or tell them that they need to wait.

In this e-book, I am giving you over 20 years of knowledge that has help me get people into over \$451 Million dollars worth of mortgage loans. I don't say this to brag. I know what works. So if this \$1 investment in many other people's mistakes allows you to share and profit from this information and get you, your family and friends the homes you want (saving at least 3k in earnest money - which is less than the average across the country), then it was all worth it for you. This is why I have written this book.

So here is what you will get. You will get my "Top 5 Reasons Why Lenders Tell You No" (contents 1-5). As a bonus I will also give you answers to the top 5 questions homeowners ask (contents 6-10), so that you are not in the dark.

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5.

Credit Being a Mystery.

So many borrowers will go into a major purchase like an expensive car or home and not know what their credit scores are before going into a lender's office. There are so many free resources that you can use. Sites like Credit Karma or following up with a few of your credit card issuers that you may have, you can get a range of scores. Now these may not be as detailed as what lenders will use, but you can get a rough idea. All of this affects your payments to the tune of hundreds or even thousands of dollars a month.

4.

Quitting (or Changing) in the Middle.

Many borrowers will start the mortgage process with one job and then get a new job offer thinking that it will not affect them. Before making any major changes to your job, speak to your lender. The home buying process can be 30 days to 6 months, if you are considering a newly built home. Have a plan mapped out if you plan on changing jobs. Most lenders are ok with a change, if you are within the same industry. **. Now here is where I am going to get super technical. If you are a W-2'd employee, make sure you are getting another W-2'd job in the same field. If you are W-2'd and switching to a contract position that will pay more money, lenders do not care. Going from a W-2'd to a 1099 or contract position is viewed as you going self-employed. Typically you need a two year history when you go self employed. I cannot tell you how many borrowers find out this information out too late or don't think there lender has to know. Earnest money going out of the window is a horrible feeling.

3.

Buying while you are trying to Buy.

Don't buy refrigerators, stoves, new furniture within the process. Lenders look very closely at your debt-to-income ratios. These are ratios that show your percentage of overall existing debt (also including the new home) to your monthly gross income. When you start adding monthly debts that show on your credit report or you have applied for a Best Buy credit card for a new refrigerator, this could jeopardize your home loan and earnest money. Do your best not to buy anything major within your home purchase without consulting your lender.



2.

Make sure you use "seasoning"

There are so many people who get money from so many sources, not even thinking of ramifications. Lenders are always extremely worried about where money is coming from and is it legitimate and honest. "Mattress money" will not work when you are trying to buy a home. Everything needs to be sourced and verified within a 60 day period. So if you have sources of income from some garage sale or your best friend who owed you money 3 years ago, deposit it within your bank account as quickly as possible and make sure it's within your bank account earlier than 60 days. Any large deposit that is 50% of your gross income may be questioned and could be subtracted from your overall assets in your home purchase.



1.

Don't buy the Wheels before The Roof

This is my #1 for every possible reason in the world. If you buy a car, before a major home purchase, in many cases you are taking a shotgun to your new home loan. These days car payments are so huge (averaging anywhere from \$600/mo - 1000/mo, it will put a huge setback in your debt-to-income ratios. Unless you have an extremely strong income, do not buy the car before the house. I always tell people that car dealerships will always find a way to give you a car. However with mortgages, more and more, you have to qualify. Get the house first and then come back and get the car.



TOP 5

MAJOR QUESTIONS

HOMEOWNER

ask.

5.

What are closing costs?

In the United States, mortgage closing costs typically range from 2% to 5% of the home's purchase price. Closing costs are the additional expenses incurred by you, the homebuyer, during the final stages of a real estate transaction, specifically when securing a mortgage. These costs cover various services and fees associated with the home purchase process. It's essential for you to understand these expenses to properly budget for the total cost of acquiring a property. However, this can vary based on factors such as location, loan type, and the specific terms negotiated with the lender. The purchase price of the home directly influences the absolute amount of closing costs. Common components of closing costs include:



- 1 **Loan Origination Fees:** Charged by the lender for processing the loan application. This can be anywhere from .25% - 1% of the loan amount.
- 2 **Appraisal Fees:** (typically \$550 - \$750) The cost of a professional assessment to determine the property's value . Many lenders will want you to pay this out of pocket.
- 3 **Escrow Fees:** Charges associated with the escrow account where funds are held until the transaction is completed. Escrows are impounds for taxes and insurance. Your lender may want you to pay taxes and insurance within your mortgage payment. At closing this account gets setup initially. Every mortgage payment with escrows put add your taxes and insurance into a separate account, so that the mortgage company can pay your taxes and insurance when they come due.
- 4 If your loan to value is under 80%, you can request not to escrow taxes and insurance and earn interest on this money you set aside, just like the banks! ... just a thought.
- 5 **Recording Fees:** Payments for recording the sale with the local government. These are typically county fees for recording the deed.
- 6
- 7 **Prepaid Expenses:** Initial payments for property taxes, homeowner's insurance, and mortgage interest. Buyers should be aware that closing costs are in addition to the down payment required for the mortgage.
- 8 While estimates can be provided during the mortgage application process, the final closing costs are determined a few days before the closing date. It's advisable for homebuyers to carefully review the Closing Disclosure, a document outlining the final costs, to ensure transparency and accuracy. Knowing closing costs is crucial for you to avoid surprises and adequately plan for the financial aspects of acquiring a property.

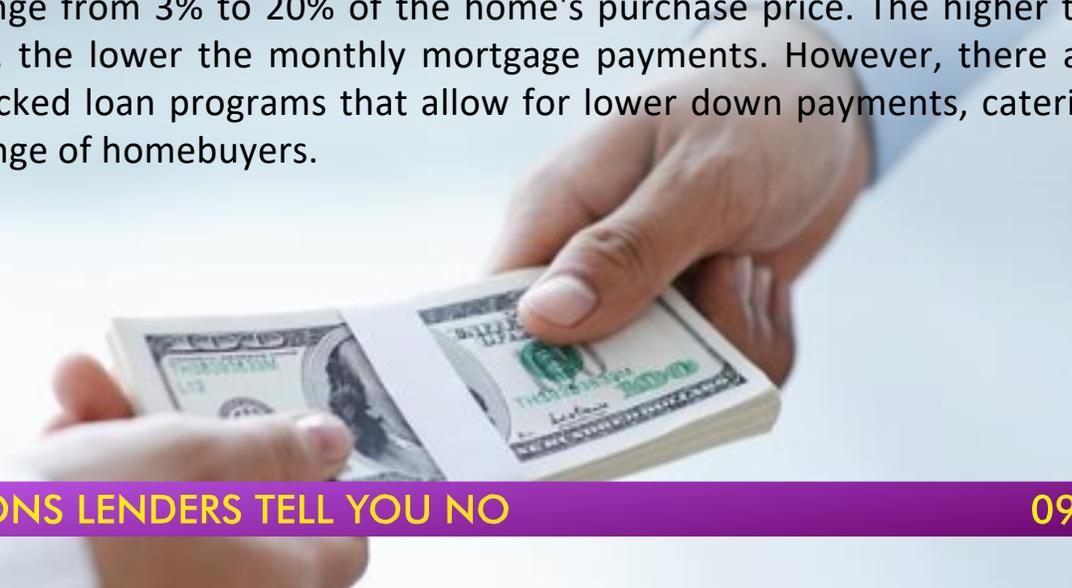
4.

What can I afford?

Determining how much you can afford in the U.S. involves assessing various financial factors to establish a realistic budget. The general guideline is that a homebuyer's monthly mortgage payment should not exceed 28% to 31% of their gross monthly income. This figure includes principal, interest, property taxes, and homeowner's insurance. Additionally, lenders consider the buyer's debt-to-income ratios, which typically should not surpass 43%.

One thing I will say, these figures adjusted in the Trump years, adjustments were made to where debt-to-income ratios were being conditionally preapproved up to 49%. So you may be able to get away with higher ratios. Check with your lender because lending guidelines change all of the time.

This ratio encompasses all monthly debt obligations, not just housing expenses. To calculate the maximum affordable home price, buyers should analyze their monthly income, existing debts, and anticipated down payment. Down payments traditionally range from 3% to 20% of the home's purchase price. The higher the down payment, the lower the monthly mortgage payments. However, there are government-backed loan programs that allow for lower down payments, catering to a broader range of homebuyers.



3.

What do I qualify for?

This one kind of goes hand in hand with #4. The amount you, the homebuyer qualifies for is determined by several factors, primarily their income, credit history, and existing debts. Lenders typically use a debt-to-income ratio to assess a borrower's eligibility. This ratio represents the percentage of gross monthly income dedicated to paying debts, including the anticipated mortgage. Generally, a debt-to-income ratio of 43% or lower is considered favorable. You typically want to aim for 740+ credit scores to get the best rates. Credit scores play a pivotal role; higher scores often result in more favorable loan terms. Lenders assess credit history, evaluating payment patterns and outstanding debts. Employment history and stability are also influential, showcasing a borrower's ability to meet long-term financial commitments. Down payment size is another critical factor. While some loan programs allow for lower down payments, a larger down payment can positively impact loan approval and terms. The total loan amount is a combination of the down payment and the mortgage, which is influenced by prevailing interest rates. To determine the maximum loan amount, homebuyers often undergo a pre-approval process with a lender.

During the pre-approval process, the lender reviews financial documents and provides an estimate of the loan amount for which the buyer qualifies. It's essential for homebuyers to be realistic about their budget, considering not only the loan amount but also other associated costs like property taxes, insurance, and maintenance expenses.

2.

What are mortgage points?

Mortgage points, also known as discount points, are a form of prepaid interest that borrowers can choose to pay upfront at the time of closing in exchange for a lower interest rate on their mortgage (in most cases). Each point typically costs 1% of the total loan amount. By paying points, borrowers effectively "buy down" their interest rate, resulting in reduced monthly mortgage payments over the life of the loan. One mortgage point typically lowers the interest rate by 0.25%, although this can vary among lenders. The decision to pay points depends on factors such as the borrower's financial situation, how long they plan to stay in the home, and their preference for upfront costs versus long-term savings. Paying points can be financially beneficial for those planning to stay in their home for an extended period, as the upfront cost is offset by the savings in interest payments over time. However, for those who anticipate selling or refinancing relatively soon, the upfront cost may outweigh the potential long-term savings. It's crucial for borrowers to carefully evaluate their financial goals and consult with their mortgage advisor to determine whether paying mortgage points aligns with their overall homeownership strategy.

The main thing here is that you want to consider, how long it would take you to recoup the discount points evaluating the monthly payment difference. Let's say the discount points were \$1,000 and your monthly savings was \$50/mo from paying the 1K. $1000 / \$50$. It would take 20 months for you to recoup the cost of discount points. So you would have to weigh if spending the extra \$1,000 is worth the \$50 savings for 20 months. After that you would realize a savings.

1.

Do I have good credit?

Credit scores are numerical representations of an individual's creditworthiness, reflecting their credit history and financial behavior.

The most commonly used credit scoring model is the FICO score, which ranges from 300 to 850. Higher scores generally indicate better creditworthiness, while lower scores suggest higher credit risk.



- A good credit score typically falls within the range of 700 to 850. Individuals with good credit are likely to qualify for lower interest rates on loans and credit cards, reflecting their responsible credit management.
- A fair credit score usually ranges from 650 to 699. While individuals with fair credit can still access credit, they may encounter higher interest rates. It's a middle-ground score that may benefit from efforts to improve creditworthiness.
- Bad credit is generally considered to be below 650. Those with bad credit may face challenges in obtaining credit, and if approved, they may encounter higher interest rates and less favorable terms. Rebuilding credit is essential for individuals with low scores.

Lenders use credit scores to assess the risk of lending to a particular individual. Regularly checking and understanding one's credit report, managing debts responsibly, and making timely payments contribute to maintaining or improving credit scores over time.

I hope you have enjoyed this e-book. I'm sure you have gotten a ton of value for this \$1. Tell a friend to pick up their copy. I wish you much success and wonderful homeshopping.

