

Finding the Money (A Simple Guide to Getting You Approved)

Let's be honest, nothing really matters unless you know how you're going to pay for your next home or investment property. The reality is that anyone (and I mean anyone) can find the money to purchase a home. In fact, we have seen people who are over \$70,000 in debt, unemployed, and on the verge of bankruptcy purchase not one, but multiple homes at the same time. Sound impossible? Read on . . .

Perhaps you have good credit, a down payment and qualifying for financing will not be a problem, but you want the best mortgage for your needs, and of course, the lowest interest rate available. Sound like you? Read on . . .

Or maybe you just have no idea what you qualify for, this is your first purchase and you just want to learn how to get started (on the right foot). Well, read on . . .

Below is a brief outline of some basic components of getting financing and some tips to get you well ahead of the game.

Traditional Banks

By visiting the bank you normally do business with, you can save some time as they will already have a lot of your information and you may already have some rapport built up. Although you already bank there, don't be surprised by the stack of application forms you must fill out. They always require your permission to access your credit and you still need to provide current employment information.

A downfall of the major banks is that the process can lack great customer service (salary employees working banker's hours), and you are constricted by their particular rules. You may find your options limited, if there is something unique about your situation, or if you are looking for a selection of mortgage products and associated interest rates.

Mortgage Brokers

From a lot of past experience, we usually recommend using a mortgage broker instead of talking directly to your bank. Some banks will offer you a deal you can't pass up, but only through a mortgage broker will you truly know all your options.

First, brokers are typically self employed and are paid by the lenders (or banks) and not by you. This means that they are extremely motivated to get you approved and also give you superior service in the hopes of future referrals. Second, they use as many as 30 different lending sources, which even include most of the major banks. This means 30 different interest rates and a huge number of mortgage options. Finally, mortgage brokers work with hundreds of unique situations, have friends in the right places and know some tricks to ensure your mortgage gets the green light.

Lines of Credit

TAKE NOTE: By financing your home with a line of credit, rather than a mortgage, there are some serious benefits. The line of credit will be secured against the home similar to a mortgage; however the payment options are sometimes wide open. There are no penalties for paying off a large lump sum or clearing it completely (very important when you sell). If your monthly finances are a little short, or if monthly cash flow is the goal, then on some LOCs you can make interest only payments which will maximize your monthly income. A line of credit can also be a better way to refinance your home. You can use as much, or as little, of it as you need, and only make payments on the portion you have used.

Creative Financing

How do people buy homes with no money or no credit? Well, some banks still offer zero down mortgages, however you still have to have good credit and income. Some self-employed people have lots of money, but can't prove their income. Sometimes you need non-traditional methods of financing. Here are a few possibilities:

Private Lenders – some lenders will work with high risk clients and simply charge a higher interest rate

Joint Ventures - get someone else to front the money for the home and you split the future returns

Vendor Take Backs – Have the owner carry the mortgage.

Assumable Mortgages – Agree to take-over the existing mortgage (only available in certain places)

Other Options – Combinations of the above and others unique to the particular laws governing the area

Summary

If you have enough motivation and the proper guidance, there is nothing holding you back from finding the money to purchase real estate. The key thing is to check out all your options. If you plan on spending \$100,000's on a new home, it will be well worth your time to do a little homework.

Don't let everyone pull your credit rating, have the broker or bank run some hypothetical examples and once you find one or two you trust, then pull the details. The more times your credit is pulled, the lower your credit rating becomes. Get pre-approved and lock into an interest rate. Some lenders will hold a rate for up to 120 days. If the rate is lower when you take possession, you get the lower rate anyway. Don't get caught if rates climb. Be careful whose advice you take. Some Realtors are paid incentives based on the business they send a mortgage broker. Ask your Realtor why they recommend someone and if they receive an incentive. Review the terms of your mortgage in depth and be sure you understand the pay-out options, conditions, interest rates, etc. It can be a nasty surprise if your payment suddenly jumps or you have a large penalty for getting out early.

If you are not approved, ask why not and find out what options you have to get approved (if they can't tell you then find someone else). Sometimes it would just take an additional letter from an employer or something simple to remedy. There is always a way.