



ABA News to Use

Keeping banking's frontline personnel informed

Do Your Research When Choosing a Mortgage

June is Homeownership Month and as part of the activities, the American Bankers Association has put together tips to help educate consumer about the variety of mortgage products and available and how they can make a smart investment.

“It’s important for consumers to understand the mortgage process,” says James Ballentine, director of housing and economic development for ABA. “A home is a long-term investment. Consumers shouldn’t jump into the process without the right tools.”

One of the most important tools is research. “The first step for anyone looking to buy a home is to do your homework,” Ballentine advises. “An educated consumer is the best kind of consumer.”

Today there is a wide array of choices that allow home buyers find a mortgage that best fits their pocketbook and housing needs. To find the right product, prospective home buyers should:

- Know what they can afford. Although it may seem like everyone is buying a home, prospective homeowners need to first decide if they can afford to buy. A local bank or other online resources can provide a calculator to determine if you can afford to borrow and if so, how much. ABA has a calculator available at:

<http://www.aba.com/aba/cgi-bin/rentNT.pl>.

- Do their homework. When considering adjustable-rate or interest-only loans, it is important to look at both current and future income. The monthly payment on these loans will rise, but will one or more incomes increase, too?

- Consider all the costs. A lender will review costs such as fees, closing costs, points, homeowner insurance, etc. Consumers should also consider repairs and maintenance costs. Homeowners are responsible for these additional costs -- there won’t be a landlord to call.

- Organize their finances before going to the bank. While each bank may require different documentation at a minimum, home buyers will need: pay stubs; tax returns; financial statements (one that is less than 60 days old); copies of additional monthly payments such as car loans, credit cards, student loans, etc.; and any additional information (such as proof of additional income) that you think will help your banker to positively evaluate your credit request.

- Pay off or pay down other loans. Credit cards, auto loans or other small loans should be paid off or paid down before you look for a mortgage. This will help increase your credit score and qualify you for a larger mortgage or lower interest rates.

- Plan for the future. A home is a long-term investment, so if you plan on being in an area only a short time, renting may be a better option. Typically, if you plan on

staying in an area less than five years, buying a home may not be worth the cost of the investment. Instead, focus on paying down debt and building savings.



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