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Top 5 Mortgage Mistakes to Avoid

1

GETTING PRE-APPROVED *WITHOUT SENDING YOUR DOCUMENTATION*

In the years before the real estate market crash in 2008 you could obtain a mortgage without providing much, if any documentation, to prove that you could afford the home. Those days are over.

If you speak with a lender today and they ask you a few questions and then provide a pre-approval letter something is wrong.

You should expect at a minimum to provide your last 2 years tax returns and W2's, along with your most recent 2 months bank statements, and last 30 days worth of paystubs. Your documentation should be thoroughly reviewed and information verified prior to a pre-approval letter being issued. This is done to make sure you qualify for a mortgage and save you from not only losing your dream home, but losing your deposit too.

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THE INTEREST RATE IS *TOO GOOD TO BE TRUE*

Mortgage rates are posted all over the internet and at every bank you walk into. The catch is that they know many people look for the lowest rate and that's where they get you. The rate that's posted is a scenario that no one qualifies for and/or you're paying thousands in fees to get a lower rate.

Another trick is that the rate posted is a short term adjustable rate mortgage that may not be the best for you or the most financially savvy option.

At the end of the day there are 30 different factors that determine your mortgage interest rate, and like your DNA, everyone's rate is different, because their 30 factors are different. Don't focus on the interest rate; the lowest ones end up being the most expensive.

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PICKING THE LOWEST RATE *INSTEAD OF WHAT'S THE BEST LOAN FOR YOU*

It's easy to choose the lowest rate but you have to ask yourself, "is this the best option for me?" While the interest rate on a 15yr fixed mortgage is lower than a 30yr fixed, the payment is much higher. I can't tell you over the years how many clients I've helped who had a 15yr fixed loan that strained their finances so much, they had to refinance back into a 30yr fixed mortgage.

This concept also applies to a short term adjustable rate mortgage. The interest rate is initially lower on a 5yr fixed rate loan, but after the 5 years pass, it can adjust every year for the remaining 25 years of the mortgage and become unaffordable.

This is why it's critical to work with your mortgage advisor and create a long term financial plan that's tailored to your specific situation.

4

TRYING TO *TIME THE MARKET*

The best advice I can give is...don't. Mortgage rates are based on mortgage backed securities (MBS) that are as volatile as the stock market; changing minute by minute, hour by hour.

It's impossible to time perfectly as an infinite number of factors influence it, from geo-political events, to inflation, to durable goods orders. Work with a mortgage advisor who follows the MBS market and can advise you on when it's a good time to lock your rate, but don't think you'll outsmart the market.

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YOU CAN *DO IT YOURSELF*

The internet makes a lot of things easier to do yourself but that doesn't mean you should. There are sites where you can self-diagnose your health issues, create a living trust, and invest in the next big idea.

While these sites may make it easy are you willing to put your health or safety and security of your family to a do it yourself website?

Buying a home is one of the most important ways to build wealth and when you get a mortgage it's also the biggest debt you'll ever have. When you're dealing with hundreds of thousands of dollars even a simple mistake can be very costly.

You need an advisor that's going to look at your entire financial picture and match the mortgage to who you are. Just as importantly the right adviser will help you manage that debt for the life of the loan making sure you're always in the best position; saving you thousands of dollars. Getting a mortgage is not about filling out a quick and easy application online; it's critical to have an adviser watching over you, making you feel safe, secure, and comfortable.

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