

**If upgrading to a new home is one of your big goals, this checklist can help you put your best foot forward with a lender.** The more buttoned-up you are when you apply for a mortgage, the smoother and faster your approval process can go.

## 1. Get your financial house in order

- Get your credit score in the best possible shape.**
  - Check your credit reports—free—at [annualcreditreport.com](http://annualcreditreport.com).
  - Look for errors and challenge them with the credit bureau.
  - Don't close your oldest credit cards, which have your valuable credit history.
  - Don't open new credit cards or take out new loans.
  - Be diligent about paying your credit card bills on time.
  - Keep your credit card balances below 30 percent of their limits.

*Remember that your lender will use a mortgage-specific credit score, not the generic one you pull off the web. It's based on information from all three credit bureaus (Equifax, Experian, TransUnion), not just one.*

- Save regularly** so lenders see you have enough money for closing costs, reserves and a cushion to cover future debt payments.
- Avoid big purchases** that add to your debt, i.e., a new car or vacation factor in your credit report, so it's a less-accurate estimate of how much you can afford.

## 2. Estimate your costs

Home purchase price:	\$ _____	
Closing costs:	\$ _____	(3-5% of home price)
Down payment:	\$ _____	(5-20% of home price)
Final monthly payment, including:		
– mortgage	\$ _____	
– homeowners insurance	\$ _____	
– property taxes	\$ _____	
– any homeowner association fees	\$ _____	
<b>Total monthly payment:</b>	\$ _____	
Other costs, including:		
– credit report fees	\$ _____	
– home appraisal	\$ _____	
– title insurance	\$ _____	
– attorney fees	\$ _____	
– title recording fee	\$ _____	
– home inspections	\$ _____	(termite, radon, well/septic, etc)
– moving expenses	\$ _____	
– new furniture and appliances	\$ _____	
– repairs or renovations	\$ _____	(1% of the home's value per year)
<b>TOTAL:</b>	\$ _____	

- Compare your costs to your savings** to see how much you'll need to borrow.

### 3. Get ready

- Apply for a mortgage pre-approval, so you know how big a mortgage you qualify for.** Remember, what you qualify for may be higher than what you can actually afford.
- Know the difference between pre-approval and pre-qualification.** Pre-qualification doesn't factor in your credit report, so it's a less-accurate estimate of how much you can afford. Your lender has to base it on your own estimate of your debt and credit score.
- Find out about down payment relief.** Ask your lender about state and local programs that may lower your down payment. (This information is not found online.)
- Select a mortgage type: Fixed vs. Adjustable**
  - *Fixed Rate mortgages* are the most common, usually with 30- and 15-year terms. They offer either lower monthly payments over a longer period, or higher payments over a shorter period, but with less interest paid in the long run.
  - *Adjustable Rate mortgages* come with a lower initial rate, so you can increase your borrowing power or lower your first payments. It's also an option if you plan to own your home for a shorter period of time. Your monthly payment may rise or fall over the length of your loan, based on rate changes in the market.
- Have your documentation ready.** The first time you meet with a lender, you won't need to provide these items. But when you actually apply for a mortgage, you'll need documentation for:
  - Verification of income
  - Bank account numbers and statements for the most recent two months
  - Long-term debt commitments
  - Business financial statements (*if self-employed*)

*You may be asked to provide additional information as well:*

- Federal tax returns and W-2s for the past two years
- Pay stubs for the past month
- The value of bank accounts, investments and other assets
- The contact information for all employers over the past two years
- A letter explaining any employment gaps over the past two years
- A letter explaining any derogatory notes on your credit report or bankruptcies

**Let your Webster Banker guide you.** If you have questions or need help getting ready to apply for a mortgage, Webster is always happy to assist. There's no obligation—just a lot of useful experience.

