

11.21 Steps to take to be ready to Buy and Apply for a Mortgage



The following items should be gathered in advance of signing a Purchase Contract so that you are in a position to quickly apply for a mortgage or complete information needed for a Cooperative or Condominium Board.

1. **IDENTIFICATION:** Photo ID to prevent identity theft and mortgage fraud – driver’s license or passport scanned and in electronic form
2. **CREDIT HISTORY:** Full credit report and credit score. The lender will require a credit report so it is important that you know in advance what they will see and correct any errors.
3. **PROOF OF INCOME:**
 - Two years' tax returns
 - Current paystubs
 - or a letter from the employer verifying income
4. **PROOF OF DOWNPAYMENT**
 - **BANK STATEMENTS** - Proof of where you are getting the down payment, usually three months of bank statements, but if a contribution is being made by someone else, they WILL have to provide the same (very intrusive) but required due to money laundering issues.
 - **GIFT LETTER** If someone else is providing funds for a down payment, a letter indicating this is a gift, not a loan- if it is a loan, the bank will want to know the repayment terms and will factor into debt
5. **PERSONAL FINANCIAL STATEMENT** - showing all assets, liabilities, and net worth – This will be necessary for any mortgage application and to submit as part of a Cooperative or Condominium Board Package. You may need to provide three recent and consecutive months of bank statements for any cash or marketable security (stocks or bonds) listed.
6. **Cooperative and Condominium have additional requirements as you need to be “approved” – called BOARD PACKAGES; they may want:**
 - Recent statements from any debt obligations, including credit card invoices, student loans, installment payments, i.e., car loan.
 - Three reference letters from people who know you (helpful if one is a financial professional such as an accountant or a financial advisor)
 - explanation of why you want to relocate
 - who will reside in the apartment
 - Confirmation that the property will be used as a primary residence?
 - you will also need to have an INTERVIEW

MONEY 101 – Real Estate

11.21 Steps to take to be ready to Buy and Apply for a Mortgage

7. OPTIONAL

- Proof of on-time rent payments - A letter from the landlord can be helpful to show you are a "good paying tenant," as rent payments do not appear on a credit report.
- Personal Letter of Introduction – this can be helpful in a buying frenzy or to introduce you and your family to a Cooperative and Condominium Board.

8. INSURANCE

- Prior to closing, you will need to provide proof that the property is insured (Binder) showing homeowners insurance.

9. PROFESSIONALS YOU WILL NEED

- **Attorney** – who specializes in real estate. They will
 - review the purchase contract to be sure you are protected and understand what you are signing.
 - Speak on your behalf with the Seller's attorney to negotiate any non-standard issues
 - Arrange for the title insurance policy to protect that you have "clear title" after closing
 - Review the bank documents if you are applying for a mortgage
 - Attend the closing, which usually is at the Seller's attorney's office.

BEST to negotiate a flat fee in advance. Find the attorney when you believe you will be making an offer within a month.

- **Insurance Broker** – who can arrange a binder for home owner's insurance.
- **Home Inspector** – who you will hire right after you sign the Purchase Agreement to inspect the property to get a comprehensive report on its condition.
- **Accountant** – who can
 - Prepare a letter indicating they know you and you are an upright citizen (helpful for Cooperative and Condominium Boards)
 - Advise, if the property is to be used for commercial purposes, on whether the net income (income less expenses) will result in a taxable loss which can benefit you by reducing tax due on other income. has done your tax returns