Real Estate Facts Column

**Realtors® Offer Guidance, Advice on Tough Mortgage Process**

**October 2013**

***(558 Words)***

While in many areas of the country purchasing a home is still very affordable, buyers are watching mortgage rates trend upward, which may make it harder to obtain a loan for that dream house. In addition, tight credit restrictions have kept some qualified buyers from becoming homeowners.

“There are still great opportunities for buyers in today’s market,” said **[full name of your local spokesperson]**. “And homes are still affordable, but today’s buyer needs to be savvy and knowledgeable about the mortgage application process. Being fully prepared will help consumers avoid problems and qualify for a loan without any hiccups.”

Applying for a loan can be a confusing process for many, but there are some steps you can take to make sure you avoid hurdles along the way. **[Full name of your local association/board]** has several tips for buyers applying for a loan. Since mortgage lenders evaluate your income, savings and credit history, it’s important to carefully examine your finances and know your credit history.

Also, do not close any credit accounts within six to 12 months before you apply for a mortgage. Make sure to keep older accounts open even if they are unused. **[Last name of spokesperson**] says this is because the average age of credit accounts is a factor in scoring performance over time. **[Abbreviation of your local association/board]** explains that you should also watch the balance-to-credit limit with a goal of keeping the balance below 30 percent of the available limit.

When it comes to types of mortgage loans, most buyers choose a 30-year fixed rate. With this longer term mortgage monthly payments are lower than other loans. It also means the principal is paid back over a longer period of time. The combination of affordability and stability make this mortgage popular among buyers.

“The 30-year fixed rate has been extremely popular in recent times,” said **[last name of your spokesperson]**. “Consumers want certainty and the 30-year fixed rate is stable over a long period of time. Buyers feel protected when they choose it because the payments are predictable. It’s also especially popular among young and first-time buyers. The lower monthly payments and fixed interest rate makes homeownership viable for many buyers who are just starting out.”

Consequently, recent proposed legislation and reforms to the secondary mortgage market could put the 30-year fixed rate at risk and unavailable to many. According to the **[Abbreviation of local association/board]** the legislation would effectively eliminate the 30-year fixed rate for middle class buyers.

“Right now there’s no government guarantee in the legislation that supports the 30-year fixed-rate mortgage,” said **[last name of your spokesperson]**. “That means it won’t be offered except to borrowers with a high down payment and a very high credit score. This puts many young and first-time buyers in jeopardy. When buyers choose riskier adjustable rate mortgages, they face uncertain monthly payments, are subject to volatile rising interest rates and are less able to accommodate life changes.”

**[Abbreviation of local association/board]** says Realtors® are working hard to with key legislators and regulators to address this issue. “Realtors® want to make sure that safe and affordable loan products like the 30-year fixed rate mortgage are available to today’s buyers,” said **[last name of spokesperson]**. “We want to make sure everyone who is willing and able to own a home has the ability to achieve that dream.”