

GETTING A MORTGAGE: WHY SO MUCH PAPERWORK?

Why is there so much paperwork mandated by lenders for a mortgage loan application when buying a home today? It seems that they need to know everything about you and require three separate sources to validate each and every entry on the application form.

Many buyers are being told by friends and family that the process was a hundred times easier when they bought their home ten to twenty years ago.

There are two very good reasons that the loan process is much more onerous on today's buyer than perhaps any time in history.



1. The government has set new guidelines that now demand that the bank prove beyond any doubt that you are indeed capable of paying the mortgage.

During the run-up in the housing market, many people 'qualified' for mortgages that they could never pay back. This led to millions of families losing their homes. The government wants to make sure this can't happen again.

2. The banks don't want to be in the real estate business.

Over the last seven years, banks were forced to take on the responsibility of liquidating millions of foreclosures and also negotiating another million+ short sales. Just like the government, they don't want more foreclosures. For that reason, they need to double (maybe even triple) check everything on the application.

However, there is some good news in the situation.

The housing crash that mandated that banks be extremely strict on paperwork requirements also allowed you to get a mortgage interest rate probably around 4%.

The friends and family who bought homes ten or twenty years ago experienced a simpler mortgage application process but also paid a higher interest rate (the average 30-year fixed rate mortgage was 8.12% in the 1990's and 6.29% in the 2000's).

If you went to the bank and offered to pay 7% instead of below 4%, they would probably bend over backwards to make the process much easier.

Bottom Line

Instead of concentrating on the additional paperwork required, let's be thankful that we are able to buy a home at historically low rates.



WHAT DO YOU ACTUALLY NEED TO QUALIFY FOR A MORTGAGE?

Fannie Mae recently released their *“What Do Consumers Know About The Mortgage Qualification Criteria?”* Study. The study revealed that Americans are misinformed about what is really required to qualify for a mortgage when purchasing a home.

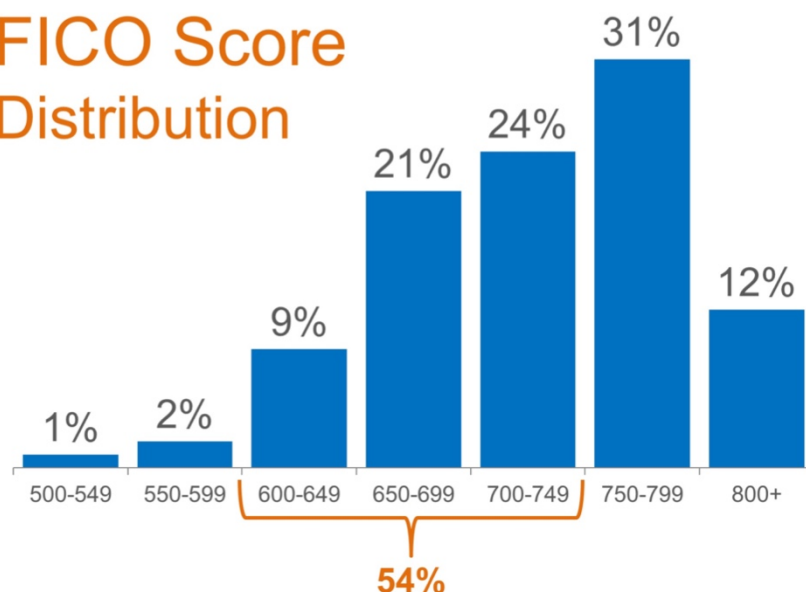
To help correct these misunderstandings, let's take a look at the survey results compared to the latest *Ellie Mae Origination Insight Report*, which focuses on recently approved loans.

Survey Results vs. What's Really Required

59% of Americans either don't know (54%) or are misinformed (5%) about what FICO score is necessary to qualify.

Many Americans believe a 'good' credit score is 780 or higher. 54% of approved mortgages had a credit score of 600-749.

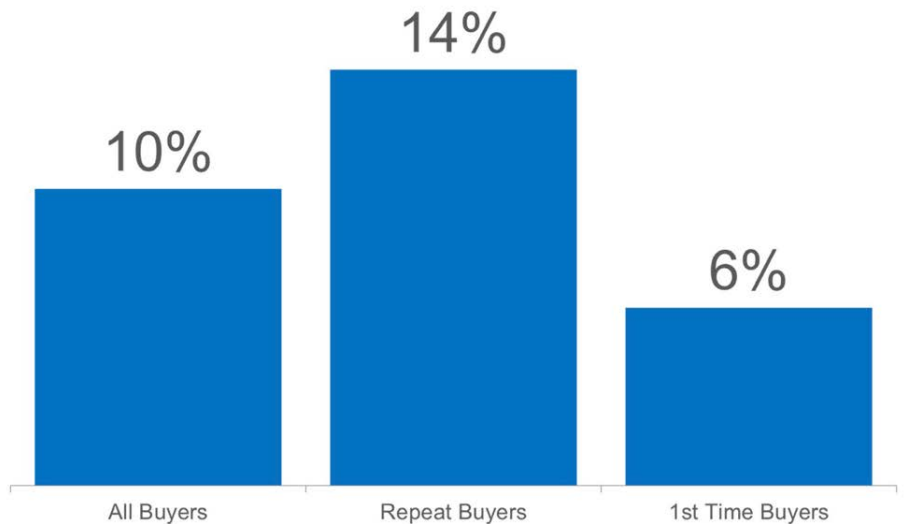
FICO Score Distribution



Typical Down Payment

76% of Americans either don't know (40%) or are misinformed (36%) about the minimum down payment required.

Many believe that they need at least 20% down to buy their dream home. New programs actually let buyers put down as little as 3%.



Bottom Line

Whether buying your first home or moving up to your dream home, knowing your options will definitely make the mortgage process easier. Your dream home may already be within your reach.



YOU CAN **SAVE FOR A DOWN PAYMENT** FASTER THAN YOU THINK

In a study conducted by *Builder.com*, researchers determined that nationwide, it would take “nearly eight years” for a first-time buyer to save enough for a down payment on their dream home.

Depending on where you live, median rents, incomes and home prices all vary. By determining the percentage of income a renter spends on housing in each state, and the amount needed for a **10% down payment**, they were able to establish how long (in years) it would take for an average resident to save.

According to the study, residents in South Dakota are able to save for a down payment the quickest in just under 3.5 years.

On the right is a map created using the data for each state.

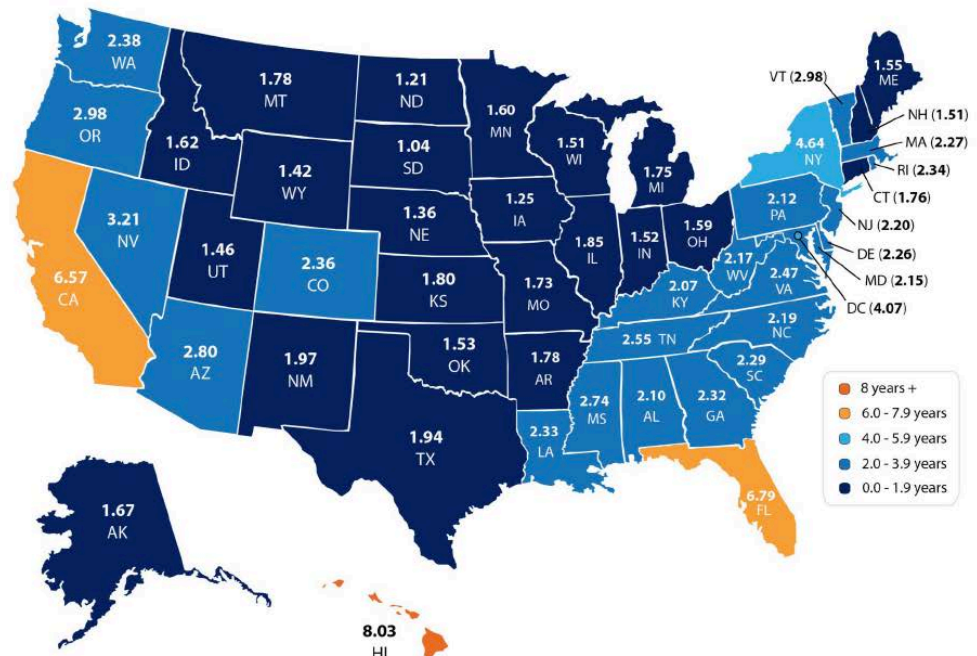
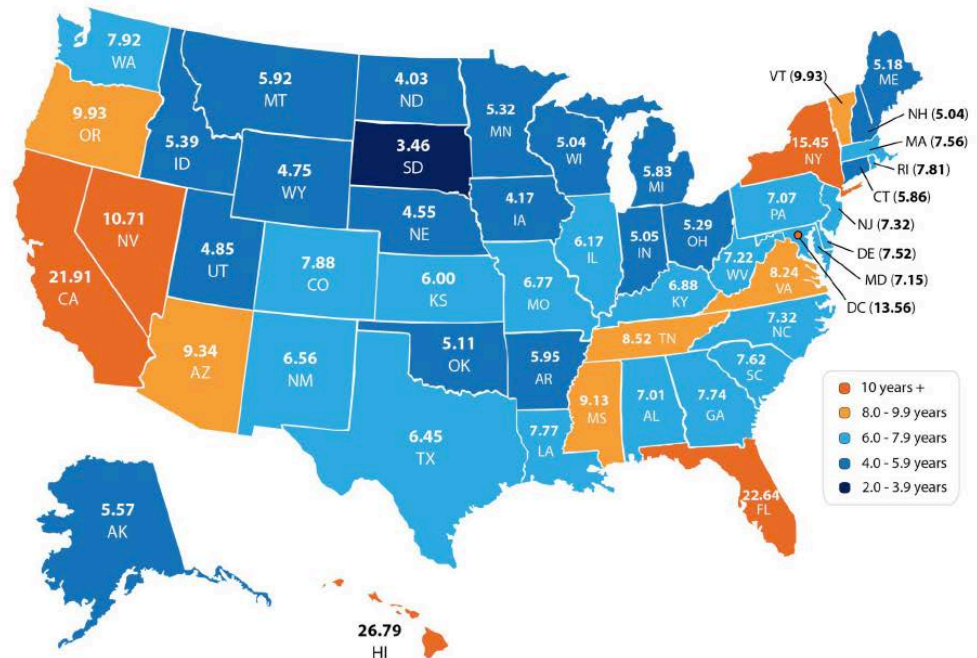
What if you only needed to save 3%?

What if you were able to take advantage of one of the *Freddie Mac* or *Fannie Mae* 3% down programs?

Suddenly saving for a down payment no longer takes 5 or 10 years, but becomes attainable in under two years in many states in the map on the right.

Bottom Line

Whether you have just started to save for a down payment, or have been for years, you may be closer to your dream home than you think!



The Cost of **RENTING** vs. **BUYING**

HISTORICALLY:

NOW:

Percentage of Income Needed to Afford **Median Rent**

26%

30%

Percentage of Income Needed to Afford a **Median Home**

21%

15%

If you are renting & think you can't afford a home... **THINK AGAIN!**

BUYING COSTS SIGNIFICANTLY LESS THAN RENTING!

Either way you're paying a mortgage, why not have it be YOURS?



Source: Pulsenomics



4 DEMANDS TO MAKE ON YOUR REAL ESTATE AGENT

Are you thinking of buying a home? Are you dreading having to walk through strangers' houses? Are you concerned about getting the paperwork correct? Hiring a professional real estate agent can take away most of the challenges of buying. A great agent is always worth more than the commission they charge, just like a great doctor or great accountant.

You want to deal with one of the best agents in your marketplace. To do this, you must be able to distinguish an average agent from a great one.

Here are the top 4 demands to make of your real estate agent when buying a home:

1. Tell the Truth About the Price

Too many agents just take your offer at any price and then try to 'work' both you and the seller while negotiating later. Demand that the agent prove to you that they have a belief in the price you are offering. Make them show you their plan to get both the seller - *and the bank* - to accept that price. Every house in today's market must be sold twice- first to you and then to your bank.

The second sale may be more difficult than the first. The residential appraisal process has gotten tougher; A recent survey showed that there was a challenge with the appraisal on 24% of all residential real estate transactions. It has become more difficult to get the banks to agree on the contract price. A red flag should be raised if your agent is not discussing this with you at the time of the original offer.

2. Understand the Timetable with Which Your Family is Dealing

You will be moving your family into a new home. Whether the move revolves around the start of a new school year or a new job, you will be trying to put the move to a plan.

This can be very emotionally draining. Demand from your agent an appreciation for the timetables you are setting. Your agent cannot pick the exact date of your move, but they should exert any influence they can to make it work.

3. Remove as Many of the Challenges as Possible

It is imperative that your agent knows how to handle the challenges that will arise. An agent's ability to negotiate is critical in this market.

Remember: If you have an agent who was weak negotiating with you on parts of the purchase offer, don't expect them to turn into a superhero when they are negotiating with the seller for you and your family.

4. Find the Right HOUSE!

There is a reason you are putting yourself and your family through the process of moving.

You are moving on with your life in some way. The reason is important or you wouldn't be dealing with the headaches and challenges that come along with purchasing. Do not allow your agent to forget these motivations. Make sure that they don't worry about your feelings more than they worry about your family. If they discover something needs to be done to attain your goal, insist they have the courage to inform you.

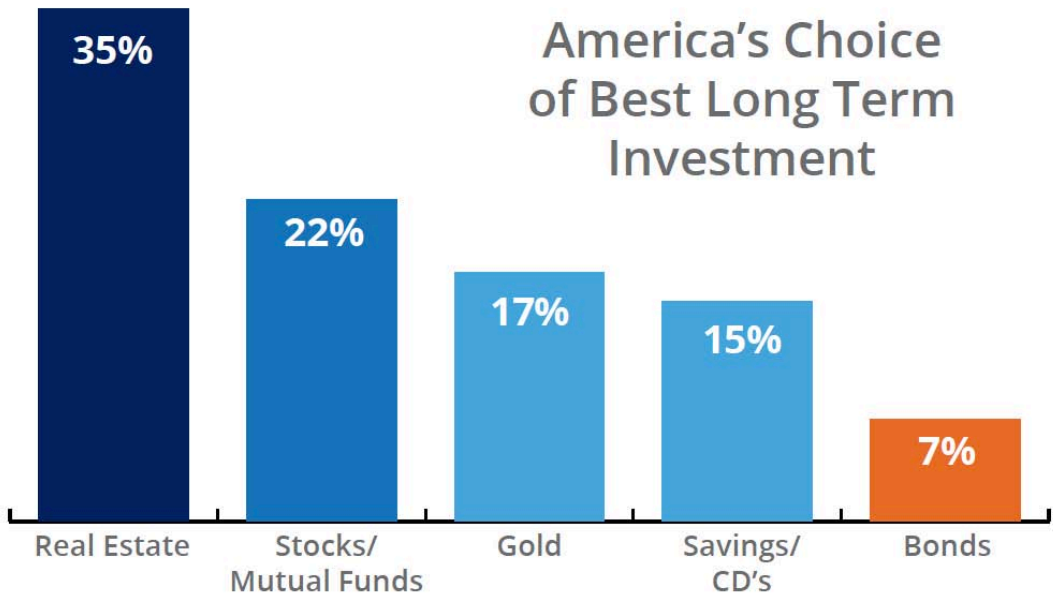
Good agents know how to deliver good news. Great agents know how to deliver tough news. In today's market, **YOU NEED A GREAT AGENT!**



REAL ESTATE AGAIN SEEN AS BEST INVESTMENT

The *Gallup* organization recently released a survey in which Americans were asked to rank what they considered to be the “best long-term investment.” Real estate ranked number one, which 35% of those surveyed saying it was a better long term investment than stocks & mutual funds, gold, savings accounts or bonds.

Here is the breakdown:



Even stock investors ranked real estate number one. According to the report:

“With housing prices showing a steadier path upward in recent months, even stock investors are about as likely...to choose real estate (37%) as stocks (32%) as the best long-term investment.”





Real Estate Broker - California Bureau of Real Estate #01212262



Some of the loan programs you will find at Augusta Financial:

1st Time Buyer Loans

With as little as 3.5% down on loans up to \$625,500

FHA Home Loans

3.5% down up to \$625,500

VA Loans

Up to \$687,500

Conventional Loans

5% down up to \$625,000

1st & 2nd Mortgage

80/10/10

Purchase Money Loans

For move-up buyers and investment properties.

Hard Money

For a unique property or a unique buyer, hard money is usually our last resort, but it is something we specialize in.

Jumbo Loans

Purchasing above \$660,000? We have a variety of loan programs available.

Refinance Loans

We can refinance your home with great interest rates and different loan programs.



MIKE MEENA

PRESIDENT/ LOAN PROFESSIONAL

Mike@AugustaFinancial.com

661.714.6258 Cell - **661.260.2790** Office
CalBRE #01113981 & NMLS#: 241370

OUR BUSINESS...

Augusta Financial is a service-oriented mortgage broker and mortgage banker specializing in residential financing. Mike Meena opened Augusta Financial in 1995 in the Santa Clarita Valley. In today's tough lending environment you need a company that is well versed in all areas of lending. They must understand the intricacies of the business including underwriting and what an underwriter looks for to get a loan approved. Here at Augusta Financial our Loan Professionals go through extensive training to make sure they understand the loan programs that are available to their clients. When you are making what is usually the largest purchase of your life, you want to make sure you are in good hands and that your loan will close in a timely manner.

"Call us today to go over your situation and see what we can do to help you or anyone you know that needs a home loan."



THE MIKE MEENA
FINANCIAL GROUP

www.MikeMeena.com | 24018 Lyons Avenue - Newhall CA 91321 | www.AugustaFinancial.com

© 1995-2016 Augusta Financial, Inc. - Licensed by the Department of Business Oversight under the California Residential Mortgage Lending Act. #4131305 & NMLS #241911
Real Estate Broker, California Bureau of Real Estate. #01212262