

# 7 Steps to Do Before Finding a Mortgage Lender



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# Finding Your Mortgage Lender

So, you are thinking of buying a new home for your family in Naperville, IL area! This is a very exciting time, but without proper groundwork, it can also be very frustrating. Please, take a few moments to review the 7 steps below and you will find it is not so complicated after all!

Let Team Flannery take some of the stress out of the process by following the “7 Steps to Do Before Finding a Mortgage Lender”. It is designed to give you an easy-to-follow checklist of what you need to do. Beginning with strengthening your credit score and moving toward your approved mortgage can be as easy as you follow these simple steps. Along the way, you will have Team Flannery by your side to help with questions 331-234-3795.



## 1. Strengthen your credit-

Give your finances a check-up long before you think about buying a home. Improve your score as needed. Some lenders are willing to help you with a step-by-step plan to get you ready for your mortgage. It is suggested that you check your credit report annually to make sure it is accurate. You can get a free annual report from [AnnualCreditReport.com](http://AnnualCreditReport.com). It will contain reports from the three main reporting bureaus: Equifax, TransUnion, & Experian. By doing this you can get your scores higher & get a better interest rate for your home mortgage.

## 2. Work on your debt-to-income ratio-

This is a big factor in your mortgage process. The debt-to-income ratio is your monthly debt divided by your monthly income expressed as a percentage. A great debt-to-income ratio is 30% ( $\$900/\$3000$ ). Remember the smaller the percentage the better. Different loans require different ratios but paying off your debts early will help you get qualified.





### **3. Determine Your Budget-**

A lender can tell you what you are qualified for, but that may not necessarily be what you are comfortable with. Having a budget, you can live with is a must. You need to have room for your family, household expenses, surprises, etc. Look at your monthly budget to determine what is in your financial needs for a monthly payment.

### **4. Know Your Mortgage Options-**

Some loans, like Rural Development Loans, require no money down. While other Government-backed loans, like FHA, require a 3.5% minimum down. Conventional loans start at a 3% minimum down & are not Government-backed.

Remember if you put down more than 20%, you will not have to pay Private Mortgage Insurance. Some lenders offer down payment assistance programs or grants to use for your down payment. Other programs offer such things as adding repair costs into your loan. There are many different types of loans & a mortgage broker and/or bank can explain them to you. Mortgage options change all the time, so shop around for the best mortgage for you!



### **5. Compare Rates & Terms from Multiple Lenders-**

Remember you & your good credit score are a commodity. Shopping around ensures that you are getting the best deal on rates, fees, & terms.

## 6. Find a Lender That You are Comfortable With-

Find a lender that listens to you, who understands you, returns calls, & answers questions. These are very important skills your lender must-have. Returning calls is very important because you don't want to be in the middle of a situation & not have them return your call for days at a time. Deals can be lost without efficient communication between you & your lender.



## 7. Get Approved for a Mortgage-

The Lender will need the following documentation:

- Driver's License or Government Photo ID
- Social Security Number/Numbers
- Pay Stubs from the Past 30 Days
- Two Years Tax Returns
- All Personal Income
- Employment History
- List of All Financial Accounts
- Bank Statements for 60 Days
- List of Your Monthly Expenses



Your lender will need more information as time goes on, but this is a good start. This will get you your golden ticket... the prequalification letter! Being ready enables you to focus on important facts, like finding a lender that works with you & getting a mortgage you can work with.

## The 2 Types of Mortgage Lenders

Lenders can offer mortgages that are in their home loan portfolios. There are two types of lenders that do mortgages. Each one has different programs that they can offer, & you will need to investigate each. Knowing what each one offers, the differences & how they can work, for you are very important aspects to

understand. After this, you will be able to choose the right kind of home mortgage lender that is best for you.

- ❖ [Direct Lenders](#)- are banks, credit unions, online entities, & other organizations that provide mortgages directly to a borrower. They create, fund their mortgages, & service them themselves (manage the repayment plan) or sell it to a 3<sup>rd</sup> party source. The lender will establish loan rates & terms. These can vary from one lender to another. You are limited to the products of that lender.
- ❖ [Mortgage Brokers](#)- are independent of a specific bank, but they are licensed & follow the same guidelines that regular direct lenders are governed by. The difference is that they work as a liaison between many different lenders & the borrowers. They work with multiple lenders to find the best interest rates & loan programs. Then tailor it to fit your needs. They charge a small percentage of the loan amount for their services, but direct lenders have established lender fees also.

Word of mouth goes a long way. Speak to your family & friends; especially those that have recently bought or sold a home. Speak to Team Flannery about which lenders in the area will work well for you. We work with Direct Lenders and Mortgage Brokers.



## Now is the Time to Get Ready

You have received a lot of homework in the above, but these are the basics to getting a mortgage. Buying can be stressful, but by being organized in the beginning you will find that you are in command of your mortgage process. Mortgages are not one-size-fits-all, so you need to do your groundwork to find a great lender & the perfect mortgage for your specific needs.

Remember Team Flannery can assist you with a lot of your questions. While we are not loan originators, 20 years of experience has brought many different situations to our desks. We will try to help you through your home buying process & make it as stress-free as possible. Give us a call/text at 331-234-3795 or email us at: [YourAgent@TeamFlannery.com](mailto:YourAgent@TeamFlannery.com).

Welcome to the Team! We hope this information is helpful & enables you to be a “knowledgeable” buyer!



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