

Here's what to expect in the mortgage application process

What's the secret to success? It starts with being a well-prepared buyer and beginning the mortgage application process before you even look at homes. There isn't a single, one-way approach that you have to follow when it comes to starting your journey. Whether you prefer personal interactions with your loan officer or as little interaction as possible, opting for a fully digital experience, here's what you can expect to happen, so you're as prepared as possible.

Step 1. Determine your budget.

You can go online and use a home affordability calculator to see what price you could comfortably afford. You'll need total monthly debts and annual income on hand when you do this. This will help you gauge whether the home is in your price range or not. Having a clear budget in mind can help you be more efficient in your home search. Once you get pre-approved, your loan officer will give you a firmer number based on the loan amount you qualify for.

WMWH will answer: How do you build this budget? What's included by the lender? What's not included by the lender? How do I know this allows me to pay all my normal bills and not become house rich and cash poor?

Step 2. Fill out an application.

There are more options than ever before when it comes to filling out a mortgage application and getting pre-approved. Now, you have the option to complete the majority of the mortgage process entirely online, using digital applications and secure portals. For those wanting to jump on the phone for updates instead, communication can be just as informative and timely.

WMWH will Answer: When do I fill out this application? Where do I get a copy of the application to fill out? How do I know what goes on the application? How do I avoid making an application and a lender pulling my credit without me knowing it is being done?

Step 3. Deliver documents that demonstrate your income.

Be ready to submit documents that verify your financial situation. This will include things like past tax returns, W-2s, pay stubs and more. You'll also need to provide recent bank and savings account statements. These are simply used to determine how much you can afford for your mortgage payment — given your debts and income—as well as how much cash you have on hand for emergencies. Your loan officer may come back with questions about your documents or even request more documentation in some cases, which all has the end goal of benefiting you.

WMWH will answer: What are all the documents I need to have and why do I need them? How are these documents used? What type of verification is done during the loan process? Is there a way to better reflect how much I make so I don't short-change my approval chances? What if I work in gig jobs or have other income? What if I work overtime and you don't count it all?

Step 4. Choose the best loan and down payment option.

After you've applied for your pre-approval, your loan officer will evaluate your information and recommend potential loan options. There are several choices here, including FHA, conventional, jumbo and more, and each one has different eligibility standards and down payment requirements. The right one will depend on how much you're looking to put down, your ideal mortgage payment, and your financial profile.

You may want to ask your loan officer to run different scenarios with your loan options, breaking down your monthly payment, total interest costs, any insurance requirements and more. This can help you determine the best choice for both your short-term and long-term financial needs.

Step 5. Lock your rate.

To keep your interest rate from rising while you wait for your loan to close, you'll want to lock it in. Rates change on a daily basis, so it's important to keep an open line of communication with your loan officer.

Step 6. Keep the status quo while you wait to close.

Your preapproval is based on the financial details you provide during your mortgage application process. If those details change, your approval might, too, so be careful with your finances while your loan is in process. That means avoiding big-ticket purchases and not taking out any new debt.

Step 7 and beyond. Lean on your loan officer.

This is still just the beginning of your relationship with your loan officer. Ask them questions.

WMWH will answer: What are the benefits and risks with each type of loan? I understand that the amount of down payment affects the interest rate—can you tell me what I need to do to improve the rate you just quoted me? How do I lower the cost of Private Mortgage Insurance (PMI) for that loan? Can I roll costs into the loan and if so, how much so I don't get an increase in rates or an increase in the PMI costs?

WMWH will answer: Why and when should you lock the interest rate or not lock the interest rate? What costs are there if the loan takes longer to approve than the lock period—the cost can be very high.

WMWH will answer: What can I do ahead of time to make sure this closes timely? How can I arrange my credit so that it makes the process smoother?

WMWH will answer: What questions should I be asking? How should I follow up? All these and more are addressed in Winning Mortgage, Winning Home!
