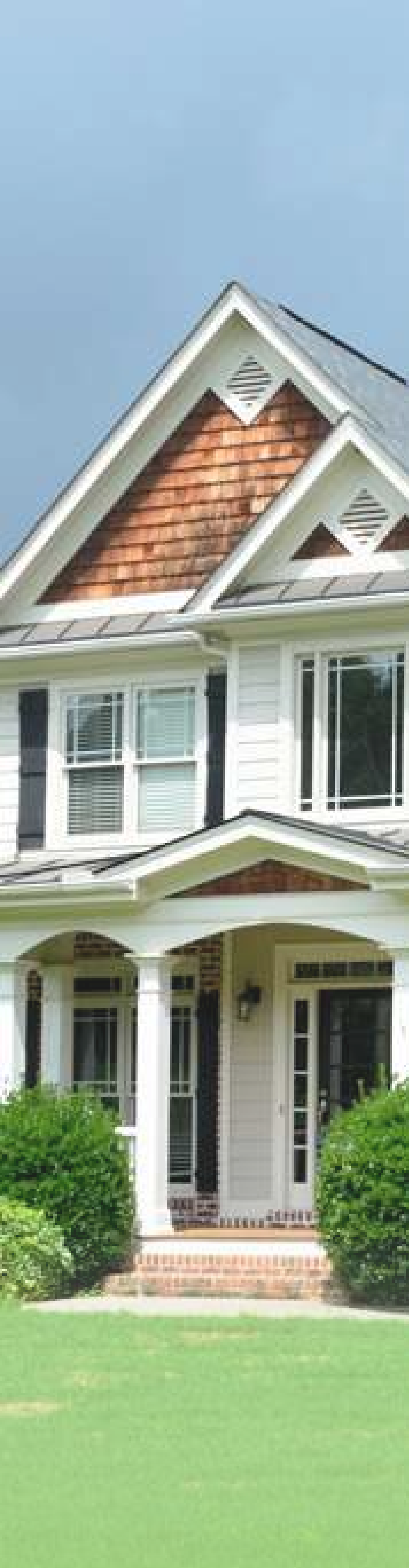
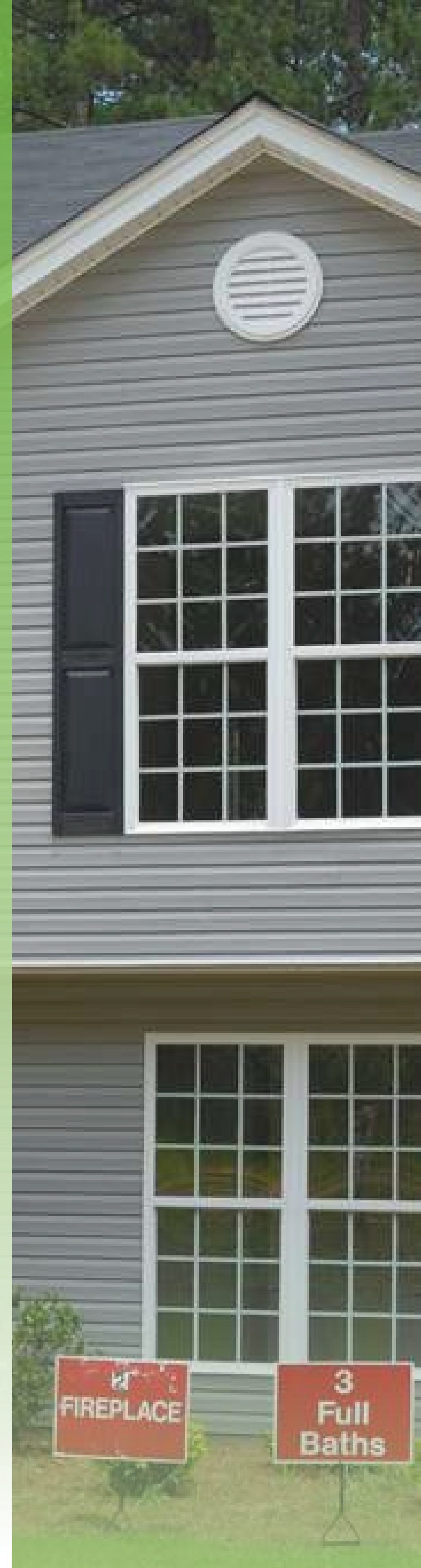


ESSENTIAL LOAN TIPS WHEN BUYING & SELLING A HOME AT THE SAME TIME



SAMMAMISH
MORTGAGE

DIFFERENT WAYS TO REFINANCE

You're interested in buying a new house and selling your old one. There are a million little things that go into the entire process, and you already know it.

Don't get overwhelmed by all considerations such as choosing your new home and moving your possessions; let's focus on how we're going to handle each of the two mortgages first! We'll help you identify where you stand and what you'll do during the process to make the financial aspect easier than ever.

YOU NEED TO GET PRE-APPROVED NO MATTER WHERE YOU ARE IN THE BUYING PROCESS

PRE-APPROVED

Whether you're just starting to look at homes, you've got the choices narrowed down, or you're ready to make an offer, you'll need pre-approval; otherwise you might jeopardize getting the home you want. Getting pre-approved is a necessity in today's housing market and will put you in the best position to your offer accepted.

Getting pre-approved isn't difficult. In fact, there's no downside to getting pre-approved right from the beginning of your search. The best mortgage companies don't charge for pre-approval and there shouldn't be any up-front costs until you're ready to move forward with a specific property.

Why do realtors and sellers require pre-approval?

Prior to 2008 and the burst of the housing bubble, obtaining financing was a non-issue due to overly-relaxed credit and underwriting standards; however, in today's lending environment, only qualified borrowers who can document their ability to repay a mortgage can get a loan.

Realtors and sellers don't want to waste their time with unqualified offers. Even if you know you can easily qualify for your target purchase price, the only way you can prove that to a seller is to go through the pre-approval process and provide a pre-approval letter.

Do you know the differnce in Pre-qualification vs. Pre-approval?

PRE-QUALIFICATION VS. PRE-APPROVAL

A pre-qualification is not the same as a pre-approval.

Pre-qualification

A pre-qualification means that the lender relies on information provided by the buyer in order to estimate the amount he or she can borrow.

Pre-approval

A pre-approval means that the lender verifies the buyer's information with income and asset documentation to determine exactly how much the borrower can afford. It also establishes the down payment and available loan programs.

The majority of sellers will not accept a simple pre-qualification letter. Especially in today's competitive housing market, a seller will want a full pre-approval letter that specifies whether the buyer's credit, income, and assets have all been verified and meet the lender's requirements.

An application is the first step in the pre-approval process. Even if you can't fill out everything at once, submit the application and a loan officer will contact you for further clarification once it is received. You'll want to provide the absolute best contact information with your application as the mortgage process requires constant two-way communication.

Most pre-approvals will take 1 to 3 business days, depending on the complexity of your specific situation. The mortgage company will send you a pre-approval letter, which you can then use to prove your qualification to sellers.

PRE-APPROVAL

Here's what your pre-approval will look like:

We suggest you get a pre-approval letter at the top of your target price range. From there your pre-approval can be adjusted and tailored to any future offers you may make.

With the pre-approval letter in hand you can make an offer on a house any time of day, any day of the year, whether or not the mortgage company is readily available.

Being pre-approved does not mean that you have locked in a specific mortgage interest rate or loan program. The execution of your rate lock and loan program will take place once a specific property is under contract.

Report these to your mortgage company immediately:

* Losing your job
* Getting married
* Drop in credit rating
* Any other financial shift

Even if you expect a change in your financial situation, get pre-approved first and report the change when it happens. You are much better off updating a pre-approval application down the road than finding your dream home and not being prepared.

CONTINGENT VS. NON-CONTINGENT

If you already own a home, your new purchase will fall into one of two categories:

Contingent

"I must sell my existing residence prior to purchasing a new home."

Non-contingent

"I am able to buy a new home whether or not I sell my current home."

Buying and selling together may seem like a juggling act, but it really boils down to whether you can afford and are willing to keep both mortgage payments at the same time.

TIP 1: If you can technically qualify for a non-contingent loan but you personally know you can't afford two mortgages or aren't comfortable carry both at the same time, consider going contingent. This way the other parties know what to expect and if something falls through with the sale of your home, you won't lose your earnest money or anger the seller of your new home.

TIP 2: If you can afford both mortgage payments, but need the equity from your first home as a down payment on the new home, get a contingent loan. Getting approved for a non-contingent loan based on income doesn't change the fact that you still need to sell your original home.

CONTINGENT LOAN

What your contingent loan will look like?

The vast majority of borrowers fall into this category. An experienced loan officer will be able to walk you through the process painlessly.

A contingent loan means that you're not able or willing, by the terms of the contract, to purchase the new home until you have a contract to sell your existing home with a closing date prior to the closing date of the new home.

Whether you qualify for only one mortgage payment or need the equity from your current home, or both, a contingent loan is simply is an agreement that requires one action to occur before the other.

TIP 1: In many cases, it may be harder for a contingent offer to get accepted in a bidding war against non-contingent buyers because a seller would rather have a simpler transaction. Be prepared to offer more, look for less competitive properties, or stand down in an otherwise equal bid with a non-contingent offer.

TIP 2: Sellers who recently put their home on the market are less likely to accept contingent offers because their expectations are higher. If you want to increase your chances of a successful offer, consider looking for homes that have already been on the market for a while.

TIP 3: A good agent will investigate the details of your personal situation when reviewing a contingent offer. The agent will analyze how quickly your current home will sell due to price, location, interest, and timing. Being realistic about the sales price of your current home will help get your contingent offer accepted.

NON-CONTINGENT

A non-contingent loan is a bit more difficult to get approved for since you are qualifying for two mortgage payments. Even if you fully expect to sell your current home after your new purchase, both payments must be considered. Aside from being unable to use your current home's equity for a down payment or as an asset, you will need good credit and sufficient income to keep your debt to income ratios within lender guidelines. In addition, the asset requirements in a reserve account are greater due to the risk factor associated with having two mortgages.

TIP 1: If you're unsure which option you want to go with, apply for a non-contingent loan. If you qualify for a non-contingent loan, the pre-approval can easily be adjusted to contingent if you decide you are not comfortable holding two simultaneous mortgages. If you do not qualify for a non-contingent set-up, we can adjust the application and run your pre-approval contingent on the sale of your current home, without starting the process over from the beginning.

TIP 2: An offer on a home is more likely to be accepted when it's non-contingent rather than contingent. If you're concerned about winning a bidding war, consider being non-contingent. Given the choice a sell will choose an offer that is not contingent on the sale of and existing residence.

TIP 3: When you're not a contingent borrower, remember that you may end up financially responsible for two mortgages for a long period of time. If the market shifts dramatically and it becomes too difficult to sell your current home, be prepared for this extra financial burden. This additional risk is why it is more difficult to qualify for a non-contingent loan.

DO'S AND DON'TS

Now that you have an idea of how to get the best mortgage for you, we need to go over what to do and not do prior to and after you complete an application. The next step is to do everything you can to make the process go as smoothly as possible. Most of this can be done prior to even submitting an application.

DO:

- ✓ Continue to make and stay current on your rent or home loan payments
- ✓ Continue using your credit as normal and stay current on all your existing accounts
- ✓ Remain at your current job
- ✓ Check your credit to ensure there are no errors
- ✓ Think about and determine your budget and what monthly payment you are comfortable paying

DON'T:

- X Begin any home improvement projects if you are doing a refinancing of your current mortgage
- X Take long vacations during the loan process
- X Apply for/open/close/max out/pay off any credit card accounts
- X Make a major purchase (including: car, boat, furniture, jewelry, new gym or new cell phone account)
- X Consolidate your debt onto one or two credit cards
- X Change bank accounts or transfer any balances from one account to another
- X Borrow money from a friend or family member
- X Make large deposits or transfers into an account without a documentable paper trail

CREDIT IMPACT

Paying off credit card debt or installment loans is generally a good thing to do; however, we often see people try to pay things off or close down accounts in order to improve their chances of qualifying. Unfortunately, this often backfires and makes their situations worse in the eyes of a lender.

Before you make any major adjustments to your financial situation make sure you speak with an experienced loan professional first to determine the impact.

There are times when paying off a car loan or credit card can help you qualify, but wait until after you are working with a loan officer so they can advise you on what to pay off or how to handle your debt in the best way possible.

What's the most important factor for determining your rate?

YOUR RATE

The Single Most Important Factor When
Determining What Rate You Will Qualify For:
Credit

There are many factors that will determine what mortgage rate you will qualify for and a few of the primary factors are as follows:

Loan to value (LTV) –
determined by your down payment or the equity in your home.
Debt to income ratios (DTI) –
determined by your adjusted gross monthly income vs. your monthly debt expenses.
Transaction type –
purchase/refinance/cash-out refinance.
The biggest factor: your credit score

Your credit score, specifically your FICO score, has the single biggest impact on the rate you will qualify for, especially when looking at conforming and jumbo loans (FHA and VA loans are more flexible when it comes to credit).

You have three FICO scores, one from each credit bureau, Experian, Trans Union, and Equifax. All of the credit bureaus have slightly different algorithms when it comes to calculating your score. In addition, the calculations are adjusted depending on what type of debt you are applying for. Your FICO score when applying for a credit card or car loan will be different than when applying for a mortgage.

YOUR SCORE

While the credit bureaus don't publish how they calculate a credit score, below is how some experts think a FICO score is weighted.

1. Payment history on credit cards, car loans, mortgages, etc. (~35%)
2. Balances vs. available credit on revolving debt like credit cards or personal loans (~30%)
3. Length of time you've had established credit (~15%)
4. Recent credit inquiries (Multiple credit inquiries within a short time-frame when applying for a mortgage will not have a significant impact on your score (~10%)
5. Type of credit (Ideal combination is a mortgage, a car loan and two to three active credit cards) (~10%)

IMPROVING MY SCORE

If you are not currently considering refinancing or purchasing a new home, it is wise to check your credit report to ensure nothing is being reported inaccurately. Credit reporting errors are more common than they should be and can be very difficult to correct in a short period of time. If you are proactive, you can save yourself from a big surprise once you are ready to apply. Free credit report sites are an easy and free way to check against errors on your report; however, don't expect to find out your credit score without paying a fee.

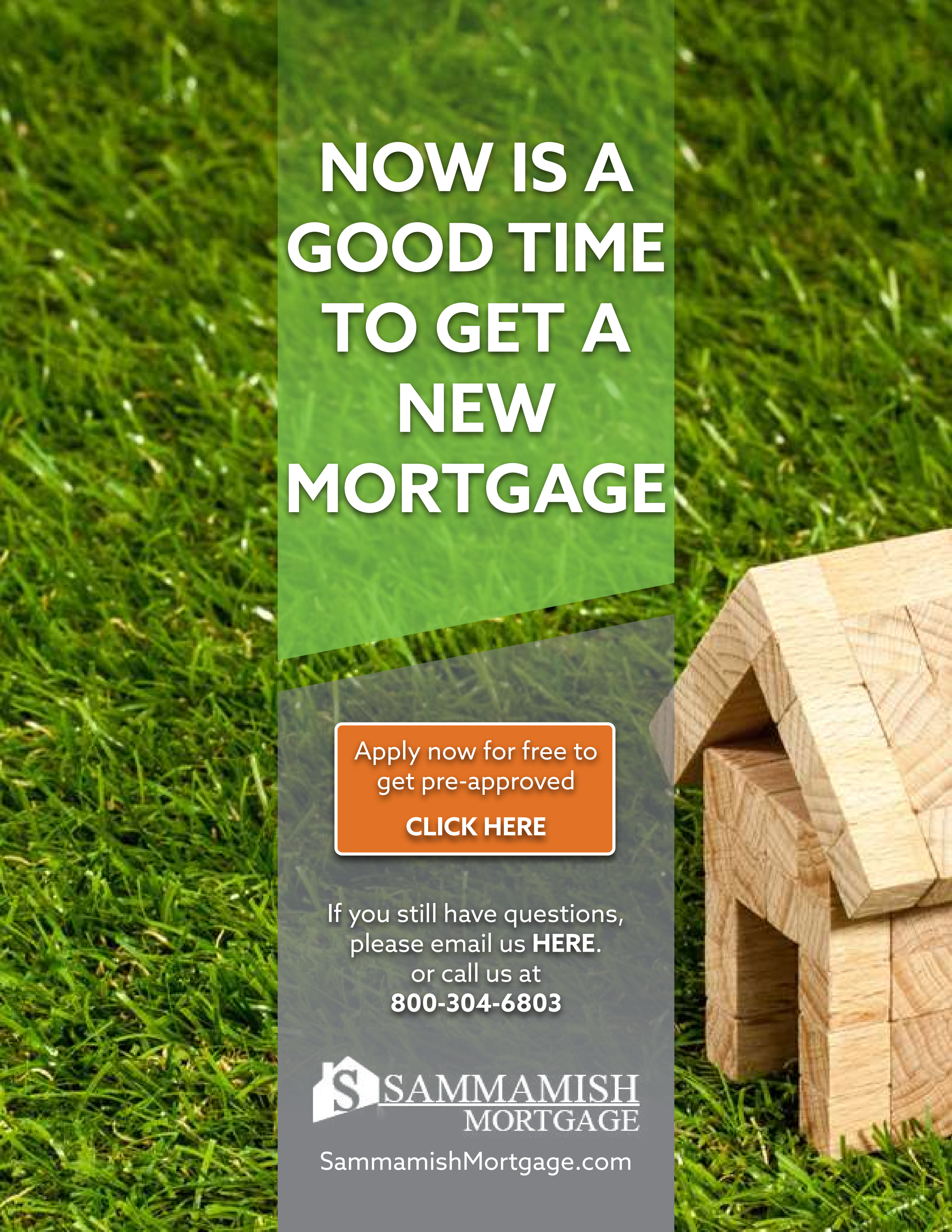
If you are currently in the market for a new home or are considering refinancing, having your credit checked as part of your application is the best way to go. This will let you know exactly where you currently stand and whether or not work has to be done to improve your score. If you choose the right lender and work with an experienced professional, they should be able to advise you whether there is anything that can be done to improve your situation. I would not recommend trying to pay down debt or close down credit ahead of time without consulting with a loan professional first. Often we see clients try to improve their situation only to make things worse and jeopardize their loan approval.

Aside from removing late payments from your credit report, which can be difficult if they are being reported legitimately, the easiest way to improve your credit is to pay down the balances on your revolving debt. For example, if you owe $1,000 on a credit card and the maximum balance on the card is $1,000, your credit will suffer as a result; however, if you can pay down the balance below 75%, 50% or ideally 25% of the credit limit, your score may see a nice bump higher. Again, I would caution doing this on your own prior to speaking with a mortgage professional, as there are times when paying down debt can backfire if those funds were needed to qualify for a mortgage.

The last resort to improve your score would be to use a credit repair company. If you decide to go this route, check with your lender to see if they have anyone they would recommend. Additionally, make sure you avoid any credit repair company that charges a large upfront fee for their services. Most reputable companies will offer a free consultation and charge on a monthly basis with no long-term contract.

You now understand what you need when you're buying and selling at the same time! The next step is to think about who you want as your mortgage company.

Learn why Samammish Mortgage is one of the top mortgage companies in Washington and the Pacific Northwest.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