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THE MORE YOU KNOW

What No One Tells You About How to Get a Mortgage

Master the tricks of the trade

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We saw the house in Portland, Maine, on a Monday morning at 10 and had been pre-approved for a mortgage by 2, even though the asking price was way beyond what we thought we could afford. But if the bank said we could, we could—right? Well, two months later, and only a few nail-biting days before our closing date, we were still going over figures. I guess despite the fact that we had more than enough for a down payment, a solid history of earning, excellent credit, and 12 years behind us as responsible homeowners already, the bank wasn't so sure. Reader, I felt led on.

A cottage with a porch surrounded by apple trees. **Photo: Peter Aaron**

In the end, we got the loan and made our closing on time. We've been able to afford the new place with no problem. But even though we'd been through it once before, we still wished that someone had reminded us that getting a mortgage is full of surprise twists and turns. Here are some things no one tells you about getting a mortgage—and a few ways to avoid the drama.

Get your finances in order ahead of time

My husband and I were both self-employed, and not the neatest of bookkeepers. He had a business account. I sort of had one too, but also used it to pay the cat sitter and collect earnings from selling clothes on Poshmark.

“Getting a good rate for a mortgage is something you may have to work on for years in advance,” says Andy Taylor, general manager of Credit Karma Home. The better your credit, the better rate you’ll typically get. When applying for a mortgage, watch your cash flow carefully and don’t change jobs, recommends Brian Rugg, chief credit officer at LoanDepot. “Avoid anything that could negatively impact your credit score, such as utilizing lines of credit or credit cards, avoid taking on any new debt, and avoid large deposits or withdrawals from checking, savings, or investment accounts,” he explains. In other words: Be good.

Broker first, house second

Make time to understand how much you can *really* afford. “Seek out a mortgage lender who can help you determine what you can afford in light of your income, current debts, cash on hand for a down payment, and closing fees,” even before you find the house, says Latham Jenkins, a high-end luxury broker in Jackson Hole, Wyoming. “A good rule of thumb is 31% of your income can service your housing costs.”

Pre-approval is not a guarantee

In the current quick market, real estate agents often ask prospective buyers to come to open houses with a pre-approval letter in hand. But being prequalified or pre-approved isn’t a guarantee that you’ll be offered a mortgage. “A borrower will still need to provide more information before they can receive an official loan offer,” Andy says. If you’re just shopping around, a prequalification letter will do, and it won’t involve a hard credit pull. But if you’re serious about a particular house, pursue an underwritten pre-approval, advises SarahAnn Tate, an associate mortgage advisor at Redfin. “An underwritten pre-approval is better than a prequalification and stronger than a regular pre-approval because an underwriter combs through all of your information upfront,” she says. “That can guarantee you as the buyer in addition to making for a faster closing, putting you ahead of the competition.”

You don’t need to put down 20%

Many prospective homebuyers believe that they need to have enough cash for a 20% down payment in order to qualify for a loan, but that’s not necessarily so, Brian says. “While a 20% down payment will lower your monthly payment, and enable you to avoid Private Mortgage Insurance (PMI), there are additional mortgage options available for buyers that choose not to invest a large down payment.”

Which is why you can—and should—shop around for quotes

One big mistake that first-time homebuyers often make is just going directly to their bank for a mortgage quote and not shopping around, or accepting the first offer they receive, warns Robert Heck, the vice president of mortgage at online mortgage broker Morty. Make sure you’re able to clearly compare several prospective lenders’ offers, paying special attention to points and credits. “These days it’s tempting to shop for an amazing rate through phone apps and push-a-button online lenders, but I always advise speaking with your local bank, mortgage broker, or financial professional,” says Tracy Do, a Los Angeles–based real estate agent with Compass. “The process can feel overwhelming because of how the numbers change, often dramatically, depending on how your loan is structured… It's an involved process with many touch points along the way. Having a friendly face and voice attached to it can help make sure you get the right loan, and will include insight into any unique programs that you might qualify for due to your occupation, your income level, and other factors."

An adjustable rate may not be so bad

Adjustable-rate mortgages (ARM) are often overlooked in favor of fixed rates, which offer more certainty. But given the fact that most homebuyers today don't expect to stay in the same home for 30 years, an adjustable option may be a better fit, Brian says. "For buyers who know they'll move within a few years, or just those willing to accept a degree of interest rate fluctuation in the future, an ARM may offer a lower payment for a period that extends beyond the time they plan on staying in the home," he says.

Once you've started the application process, you're on your best behavior

Your credit will be checked during pre-approval as well as right before closing, and possibly at other points in between. Be sure to pay all bills on time and avoid opening or closing lines of credit, which can affect your score. And make sure not to make new major purchases: "One of the biggest pitfalls buyers encounter is changing their job or making a significant purchase while in underwriting," says Stephanie Younger, another Compass real estate agent. "Buying a home is exciting and sometimes clients use the experience as a catalyst to buy the boat they always dreamed of or take that job offer. The answer is to wait until after the close of escrow."

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