**By Sally Rummel**

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You are tired of paying rent for a small, noisy apartment and would like to buy your own home. How do you know how much of a mortgage you can afford, before you start looking for the home of your dreams?

The best place to start is by meeting with a mortgage lending professional at a bank, credit union or mortgage company. Get information from several lenders or brokers, so you can find out how much of a down payment you can afford and find out all the costs involved in the loan — including loan origination fees, broker fees and closing costs.

“We recommend that you meet with us so we can review the last two years of your tax returns, W-2s and pay stubs,” said Mary Burgner, mortgage loan originator at Dort Federal Credit Union in Fenton Township. “Then we’ll pull your credit report. Various programs have different credit score requirements, but conventional loans usually require a minimum of 620. For programs with lower down payments, you’ll need a credit score of at least 640.”

Burgner also recommends that potential homebuyers think about what amount of a monthly payment they’d be comfortable with, so they don’t take on more than they can afford each month. “Then we’ll back into that number,” she said. “We’ll look at your car payments, student loans, minimum credit card payments, child support or alimony, etc.”

She also suggests that people with slightly blemished credit score find out ahead of time what they need to do to raise those scores. “If you’ve had a short sale, foreclosure or bankruptcy, it may limit what we’re able to do for you in the short term. You’ll have to wait at least four years to apply for a mortgage. But terms have lightened up since the recession in Michigan a few years ago.”

Burgner said that the most important thing to do is re-establish your credit and be able to show that you have responsibly made all of your payments on time in the last year or two.

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**Summary**

- **Begin preparing for buying a home months, if not years, before you begin the mortgage lending process.**
- **Pay less mortgage insurance** — qualified borrowers will be able to get Fannie Mae- and Freddie Mac-backed mortgages with down payments as little as 3 percent, instead of going into FHA loans with premiums that are costlier than private mortgage insurance.
- **Get a thorough pre-approval** for accurate mortgage lending terms based on your actual credit score, debt obligations and income, instead of relying on estimates.
- **Maintain your credit profile** by not doing anything that could change your credit obligations. That means don’t open or close any credit cards, make any major purchases like a new car or furniture on credit and keep balances within normal range.
- **Get organized** by gathering and keeping every piece of financial information in the two months leading up to buying a house. Put in PDF format for easy sending to your mortgage broker or bank.
- **Don’t move money around**. Keep your hands off your finances. Don’t move money from a savings account into a CD or cash in investments from stocks, etc.
- **Be prepared** to write letters to explain anything in your financial life that seems “odd” to your lender.
- **Gift early**. If a family member is gifting some or all of your down payment, make sure it’s deposited in your bank account more than two months before you apply for a mortgage. Otherwise, be prepared to re-create a huge paper trail with letters, copies and verification of funds.

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**Tips for mortgage borrowers in 2015**

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**See TIPS on 6B**
**5 MISTAKES HOME SELLERS MAKE**

Take the emotion out of selling your home for best success in the market

By Sally Rummel
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The average seller in the real estate market has lived in his or her home for a decade, so it’s no wonder that what should be a pure business decision comes with emotional strings attached.

If people really want to get a return on their investment in their home, they need to be smart about how they approach selling it. The good news for sellers is that low inventory is pushing home prices higher and the number of homes being sold is also on the rise.

According to the National Association of Realtors, the typical seller receives 97 percent of his final asking price, and the home was on the market for about a month.

In order to be in that group of successful sellers, a homeowner needs to avoid these five mistakes when listing their home for sale:

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**MISTAKE #1:**

**NOT BEING REALISTIC ABOUT YOUR HOME’S VALUE**

What you think your home is worth and the price you can actually sell it for are two very different numbers. Properties that are overpriced at the outset tend to eventually sell at a lower price than they would have if they had been appropriately priced in the first place. “Your Realtor gives you a ‘market value’ price and then some homeowners add an ‘emotional value’ on top of it,” said John Tremain of Tremain Real Living Real Estate in Fenton. “That disrupts the ability of the home to sell. Everyone seems to have forgotten the years 2008, 2009 and 2010 when the real estate market went bust.” He also said that if your house doesn’t sell in three or four weeks, it’s time to change your price.

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**MISTAKE #2:**

**HIRING THE WRONG REALTOR**

Choosing the wrong Realtor to sell your home is one of the biggest mistakes people make, according to John Wentworth of ReMax Platinum in Fenton. Sometimes homeowners hire someone who is a family friend, or select a Realtor with limited marketing experience. Since a Realtor you choose is likely handling the largest transaction you’ll have in your lifetime, it’s important that you hire the best one for the job, using reputation and referrals from satisfied clients as a guide to making that choice. Make sure to read your Listing Agreement carefully, so you know exactly what you can expect from this relationship.

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**MISTAKE #3:**

**NOT MAKING YOUR HOME LOOK ITS BEST**

You’ve watched enough HGTV shows to know that good staging and curb appeal help sell homes. “A big mistake some sellers make is to not be willing to spend just a little bit of money to get top dollar for their home, by doing small things like replace carpeting, add a fresh coat of paint, etc.,” said Steven “Melch” Melchor of Berkshire Hathaway Home Services of Michigan’s Fenton office. “It’s important that sellers listen to their Realtor’s advice when it comes to preparing their home for sale and setting the price.”

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**MISTAKE #4:**

**REFUSING TO NEGOTIATE**

You should start by setting a fair and reasonable price for your home, but be ready to accept slightly less than asking price or make other concessions in the interest of getting your home sold. You might agree to paying the closing costs, throwing in appliances or making certain repairs. Working with an experienced agent can help you make the sometimes tricky negotiations of getting the price you want without scaring off a buyer.

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**MISTAKE #5:**

**NOT HAVING A BACKUP PLAN**

In the real world, the transition between selling your current home and buying a new one often comes with a few glitches. Savvy sellers have contingency plans in place to avoid either getting stuck with two mortgages at once, or not having a place to live or to protect them if a deal falls through.

You may have to be prepared to find temporary housing if your home sells quickly, or be prepared to budget the additional cost of carrying the expense of your former home. If there are multiple people interested in your home, you may be able to accept backup offers, which involve agreeing to sell to a second buyer if the first one backs out. Source: The Wall Street Cheat Sheet

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Dort Federal Credit Union is Genesee County’s #1 Mortgage Originator. We close more mortgages than any other credit union in the county.

- **Purchase or Refinance Mortgages**
- **Quick and Easy Application and Approval**
- **10-, 15-, 20-, and 30-Year Fixed-Rate Mortgages**
- **HARP Refinance Program with No Loan-to-Value Limit**
- **Adjustable-Rate Mortgages Available up to $500,000**

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Dort Federal Credit Union

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A mortgage payment can comprise more than the price of the home plus interest. Homeowners must pay property taxes and secure some type of home insurance in addition to their principal and interest payments.

In many cases, lenders require buyers to pay into an escrow account, from which your lender keeps enough money to cover your taxes and insurance.

Unless you are granted another payment arrangement, your mortgage payment will include payments to your escrow. Depending on how much land you purchase, you can generally tack on a couple hundred dollars a month to cover your taxes and insurance.

TAX AND INSURANCE PAYMENTS

The convenient part of an escrow account is that your lender makes your payment for you. This helps you avoid missed or overlooked payments and ensures you have enough money in the account to cover the bills.

If you’re buying a home, the seller will likely disclose the amount of the annual property taxes on the house when it is listed for sale. This information is also readily available from your local property tax assessor. A local insurance agent could also give you a rough estimate on coverage for the home. Add the numbers up and divide them by 12 to get an idea of what you’ll be paying into escrow.

**PROTECT YOURSELF**

It is important to make sure your lender or mortgage servicer is retaining and making the correct amount of tax and insurance payments. You should receive a periodic statement showing how much is in your escrow account and can compare the statements with your property tax bill and homeowner’s policy. The Real Estate Settlement Procedures Act is enforced by the U.S. Department of Housing and Urban Development. This is the major law covering escrow accounts.

**TIPS**

Continued from Page 4B

- **Self-employed?**
  - Plan ahead even more, including documentation of incomes that includes two years of tax returns. Self-employed borrowers should plan to take fewer deductions the years before buying a house to boost their overall income. Otherwise, they may need to seek out an unconventional loan that will qualify them based on bank statements alone. Source: bankrate.com