The ABC's of finding the right mortgage

(NAPSI) — Home ownership is at an all-time high, yet in a recent survey of U.S. consumers commissioned by the HSBC Center for Consumer Advocacy, 73 percent said they have limited or no knowledge about the mortgage process. In addition, the majority spend two weeks or less researching options for mortgages-the most significant purchase many people make. Here are some things to consider before seeking a mortgage:

Assess your credit. Lenders take your borrowing record and existing debt into account when they offer you a mortgage. Ensure your credit history is accurate. Obtain your credit information. You are entitled to one free credit report per year from each of the three national reporting agencies-Equifax, TransUnion and Experian. Go to www.annualcreditreport.com to request your free report. Review your reports and have any errors corrected.

Bolster your credit score. Take the additional step of paying the nominal fee to get your credit score when requesting your credit report. A strong credit score, usually associated with a rating of 700 or above, will help you attain more favorable loan terms. Paying attention to your credit rating well in advance of your mortgage process gives you time to boost and preserve your rating. Pay your bills on time and pay down your balances to improve and maintain your credit rating. Aim to keep balances to at least 50 percent or less of your available credit.

Consider your financial situation. Take a close look at your finances and ask yourself if you have enough saved for a down payment, which is typically 10 to 20 percent of the total cost of the home. If you have the savings, it's time to see if you can borrow the rest with a mortgage. Examine your income and your debt, two factors lenders will evaluate, along with your credit report and score. As a general rule, no more than 28 percent of your income should go toward your total house payment (principal, interest, taxes and insurance). Also, remember to take into account the expenses of running your new home.

What if you haven't saved 10 percent for a down payment? Don't give up. If you can come up with just 3 percent, or even less, you may still be able to find a mortgage. Low- and moderate-income consumers may qualify through the Community Reinvestment Act, which requires some banks to offer mortgages to people with incomes below what is normally required. If you're a first-time buyer, you may also be eligible for some breaks. To find out what you qualify for, check the U.S. Department of Housing and Urban Development Web site at www.hud.gov.

Discover the best type of mortgage. Now that you have a good idea of what you can afford and what your credit rating is, you're ready to explore various mortgage options to see what's best for you. Talk to someone you trust on financial matters to aid you in this process. Your mortgage choices may include fixed-rate, adjustable-rate or hybrid mortgages with different terms. There are many factors, such as how long you plan to stay in your home, that will help determine what mortgage is best for you.

Educate yourself on lender options. Dedicate some time here. Finding the right mortgage should be as important to you as finding the right home. Compile a list of potential mortgage lenders or brokers and contact a number of them online or in person to compare the style of mortgage, interest rates, terms and all related costs. You may decide to apply with more than one lender. If that's the case, concentrate your applications within a fairly short time frame-say, two weeks—so the multiple requests for your credit report don't hurt your credit score.

Find resources. Discover more about the home ownership process and find other financial educational resources at www.YourMoneyCounts.com.

Buying a home is likely the single biggest purchase you'll ever make, so take some time when shopping for a mortgage-and find the one that's right for you.

Is Real Estate the new 401K for retirees?

By Russ Whitney
Guest Columnist

If you think you may have to work after you retire, you have lots of company. Two-thirds of baby boomers polled in a recent survey said the cost of living is too high to truly retire and never work again. And it seems they are right: According to the U. S. Department of Labor, nearly 1 million people age 75 and older are working at least part-time.

But there are better opportunities available for boomers looking to grow their nest eggs-and keep the cash coming in after they retire-by investing in real estate.

The benefits are clear: By securing your retirement with income-producing real estate, you will receive revenue from your investments without the restraints of government plans such as the 401(k). What's more, the property is likely to increase in value while continuing to generate cash flow, allowing you to continue providing for your family-without having to sacrifice your retired lifestyle. Not only can this method offer relatively safe, comfortable means to retirement, it also provides a number of tax-saving strategies.

To take full advantage of the potential offered by real estate takes knowledge. You need to know which strategies work in what markets as well as how to recognize and respond to economic cycles, because educated investors can profit in real estate regardless of the economy. Here are some tips to consider:

• Get to know your market. In particular, know what rent amounts are in the area so that you can calculate how much you can pay for a property to gain positive cash flow.

• Consider multi-unit properties such as duplexes, triplexes and four-plexes. With a multi-unit property, when one unit is vacant, the others are still generating revenue.

• If you don't want to actually purchase real estate, consider related alternatives such as mortgage notes and tax liens.

To learn more about the proven methods of real estate investing, visit www.wincorporate.com.

Russ Whitney is CEO of Whitney Information Network, Inc.

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the case. Companies offering "special offer" or "introductory" interest rates are often too good to be true and should be avoided. Oftentimes, someone with bad credit who dives into offers such as these finds himself right back where he started, with a mountain of debt and facing debilitating interest rates. Always read the fine print in credit agreements before signing up for a new account.

• Avoid filing for bankruptcy. In the United State, some people feel as though Chapter 7 bankruptcy is a "Get Out of Jail Free Card." In fact, it's more of a "Extend You Stay in Jail Card." People who file Chapter 7 will have that appear on their credit report for 10 years. Congress has long been considering toughening bankruptcy laws, making it harder to file and more damaging if you do. Chapter 7 can wipe out your debt, but it will make it extremely difficult for you to establish a relationship with lenders down the road. It might even make it difficult for you to get an apartment, as landlords are within their rights to refuse you, and often will if a bankruptcy appears on a background check.

If you must file for bankruptcy, consider Chapter 13, which is more a repayment plan than a debt relief. Under Chapter 13, you are agreeing with the U.S. Bankruptcy Court to repay unsecured debts over as much as 60 months. Future interest rates won't be low if you file Chapter 13, but lenders have traditionally proven far more willing to deal with filers of Chapter 13 bankruptcy than those of Chapter 7.