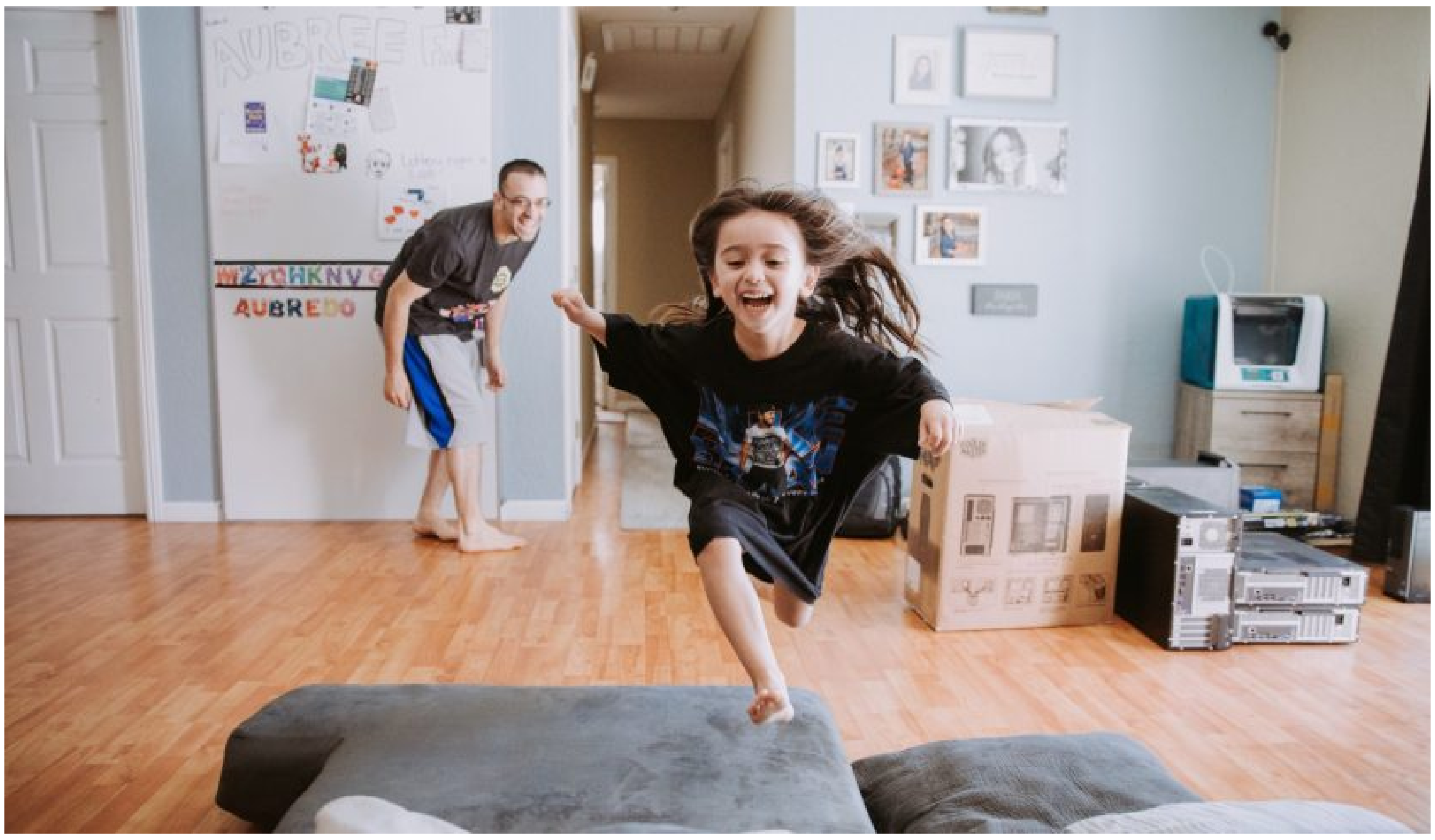
10 YEARS AFTER THE HOUSING CRASH: WHAT IT TAKES TO GET A MORTGAGE NOW

Beth Braverman | January 18, 2019



It's been more than a decade since the housing market imploded. If you haven't been in the market for a mortgage in a while, here's what you need to know now.

Remember 10 years ago? You may have had your first iPhone, you probably weren't streaming anything on Netflix, and mortgages were easy for almost anyone to get—too easy.

Then came the housing market crash, and along with it a financial crisis we hadn't seen in our generation.

It's been more than a decade since the housing market imploded, pulling the entire American economy down with it. In the immediate aftermath of the housing crash, lenders tightened up their (admittedly way too loose) standards, leaving only borrowers with the very best credit profiles able to get a loan.

The intervening years have seen both the economy and the housing market roar back to life, although the latter is starting to slow. In response, lenders have loosened up their credit standards a bit, but they still require a lot more from borrowers than they would have at the height of the bubble.

If you haven't been in the market for a mortgage in a while—or if you're a first-time borrower who's never been through the process, here's what you need to know now:

YOU'LL NEED TO PROVE YOUR INCOME—IN MULTIPLE WAYS

During the housing bubble, it was possible to get a loan by simple stating your income, without supporting documentation, to a lender. These days, both you and your lender must prove your income, assets and debt to a lender. "The main thing that's changed is that each piece of data in a loan application file has to be confirmed with an independent third party, and oftentimes more than one," says Casey Fleming, author of "The Loan Guide: How to Get the Best Possible Mortgage."

You'll need to provide pay stubs to the lender, and your lender will call your employer to verify your income and length of employment, for example. They'll also check in with the IRS to confirm the amount of money that you made last year.

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YOU CAN GET A LOAN WITH LESS-THAN PERFECT CREDIT, BUT IT WILL COST MORE

One in three borrowers with mortgages closed in September 2018 had a credit score of less than 700, according to Ellie Mae, nearly twice the share with sub-700 scores in 2012. Still, while it's getting easier to get a loan with less-than-perfect credit, you might have to pay a higher interest rate, which can be expensive over the life of a 30-year loan.

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To avoid the additional costs, set your bill payments to autopay and avoid taking out any new loans in the months before you apply for a mortgage, since late payments and new credit inquiries can ding your score.

You should also pull your free credit report at annualcreditreport.com before applying for a home loan. "You're looking for the validity of the report for mistakes and any outstanding collection accounts that you can take care of before you apply for a mortgage," says Lisa Piercefield, regional operations manager at Apprisen.

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YOU DON'T NEED A 20% DOWN PAYMENT

At the height of the housing boom, buyers were able to purchase homes without putting any money down at all. When those borrowers found themselves underwater (owing more on their mortgages than their homes were worth) as housing prices plummeted, lenders changed the rules to require substantial down payments.

> There are many loan programs available now that let you put down as little as 3% of the purchase price of a home.

Today, the pendulum has swung back. While the average down payment on a home with a conventional mortgage today is 20%, there are many loan programs available now that let you put down as little as 3% of the purchase price of a home, as long as you're willing to pay the additional costs of private mortgage insurance.

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YOU CAN SAVE MONEY BY SHOPPING AROUND

As interest rates have begun ticking up and the rate of growth in the housing market has begun to slow, mortgage lenders are seeing less business than they have in recent years. That's good news for potential borrowers. Since lenders are eager for business, they're starting to become more competitive in the rates, fees and terms of the mortgages that they offer. Make sure you're getting a good deal by shopping around with at least three lenders before selecting one.

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In addition to comparing the costs of your loan offers, you should also consider the lender themselves. "Your loan originator should be somebody that you feel you have open communication with and answers questions you never thought to ask," says Staci Titsworth, a regional mortgage manager for PNC Bank.

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