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hat Are the Documentation Requirements for a Home Mortgage Loa

If you are applying for a home loan, you may be worried about the types of documents you will be required to provide for your mortgage lender. Generally, lenders need to see proof of your income, assets, and your employment. They want all of this proof in order to be sure you have the means to repay the mortgage loan. They will be able to offer you the best interest rates on a home loan when they have adequate documentation. If however, you cannot provide such proof, you may qualify for other loans, but you should be prepared to pay more in interest.

There are several different types of loans that require different levels of documentation. First, of course is the fully-documented loan. With this type of loan, you must provide your lender with full proof of your income, assets, and employment. Usually lenders require that you have been at the same job for the past two years or had the same business for two years if you are self-employed. This is done as your lender obtains written confirmation from your employer and banking institutions.

With a Stated Income Loan, however, you simply have to verbally tell your lender what your income is, without a follow-up check. The lender will obtain verbal verification of your employment however, and will check with your bank to verify your assets. This is a popular choice with self-employed mortgage applicants because they often have greater cash and resources than their tax returns reflect. This way their ratio of income to debts looks better. The difference in interest rates between a fully-documented loan and a Stated Income loan could range anywhere from 0.15 percent to 0.40 percent more for the riskier mortgage.

There are also loans called Stated Income/Stated Assets Loans. Just as the name implies, with this loan you only have to provide a statement of your income and assets, and the lender will still obtain a verbal verification of your employment from your employer. This is often popular with those who will be receiving their down payment and/or closing costs as a gift. Their assets are therefore greater than what would be shown in their bank accounts and documentation would not do justice to their situation. A similar documentation loan is the No Income/No Assets loan. With this loan you do not even have to provide numbers for your income and assets at all. You can expect to pay 0.35 percent to 0.60 percent more for this type of loan than for a fully documented loan.

If you cannot provide full documentation for your home loan application, you may be able to bring down the added cost of the loan by providing a large down payment. The bigger the down payment, the smaller the risk to the lender that you will default on your loan. You may also be able to get a better rate with a less-than-fully documented loan if you have a great credit score. This also decreases the risk to the lender as your credit score provides good proof that you are trustworthy in your financial obligations. In either case, though, you should be prepared to pay at least a little more for your loan than you would with a fully-documented mortgage.