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The Importance of Assets

Mortgage lenders dissect the entire credit history of a potential client with strict attention to income, credit, collateral and assets. Of the four, assets are perhaps the least discussed, yet may be the most important in securing credit and buying a home.



Simply put, assets include the amount of money needed for the down payment, in addition to closing costs, pre-paid costs such as insurance and taxes, escrow fees and funds that would be available in case of an emergency.

“Assets may be the truest reflection of a borrower’s fiscal strength,” Dean Hartman, regional vice president for Benchmark Lending, Melville, N.Y., in his post on the KCM (Keeping Current Matters) blog site. “Their ability to save and properly budget could be a significant indicator to their future paying habits.”

Common assets considered in a mortgage loan application include stocks, bonds, mutual funds, 401(k) and retirement accounts, life insurance, cars, boats, antiques, jewelry and other real estate.

The source of the assets is also important. Anyone who has attempted to secure a loan recently knows that restrictions have tightened, and when borrowers are paying off credit cards to get their ratios in line, lenders want to know where the money came from.

“For instance, we can obviously see a direct deposit from your employer or a transfer from one account to the next,” says Justin Miller, a mortgage broker for FEMBi Mortgage, Fort Lauderdale, Fla. “If we cannot determine this, we will need a letter of explanation and show proof of where it came from. My suggestion is to not make any cash deposits or take any monies from someone personally unless it is going to be a gift from a relative.”

Large and recent savings deposits raise underwriter concerns as they can indicate loans that have yet to appear on borrowers’ credit reports. Borrowing from relatives to boost savings and creditworthiness also doesn’t help. If funds aren’t reflected on income statements and tax returns, they can’t be used to qualify for mortgages.

Indeed, make sure your assets are in order with proper documentation. Your preparation can speed you on the road to homeownership.