# Financing Your Waterfront Home Purchase

***by Joe Catalano***

The good news for buyers is that the real estate market has slowed from its torrid pace since 2000. The number of waterfront and water view homes on the market has increased, and as a result, selling prices have come down in most areas, but the bad news is that obtaining a mortgage has gotten harder. In addition, interest rates have started to creep up slowly, although they are still, historically, near the low end. What's causing this tightening of funds is the years of freewheeling lending that helped fuel the recent real estate boom and make those ever-rising prices still doable for many buyers.

People who took low interest adjustable loans are starting to see their payments adjust upwards. Lenders who made sub-prime loans - mortgages to people with less than perfect credit - are watching borrowers struggle to keep their payments timely. Some sub-prime lenders are experiencing financial difficulty themselves, with one, Melville, New York-based American Home Mortgage Investment Corp, once the nation's 10th largest home lender, declaring bankruptcy. The result is a growing number of home foreclosures. The lending pendulum now is swinging back towards tightening.

Today, the buyers having the least trouble getting a mortgage are those with the best credit and highest FICO scores (a measurement used by lenders based on factors such as debt and on-time payment of other loans). So, how do you improve your chances of getting a mortgage and purchasing that waterfront home you've been eyeing?

First, get a copy of your credit report to make sure that what's listed is correct. Everyone is entitled, by law, to one free credit report a year (go to annualcreditreport.com. If the credit report has things that are inaccurate, contact the credit-reporting agency. They will ask for proof, and it could take weeks or even months to sort everything out which is why you should do this prior to beginning your home search.

Another thing to do prior to shopping is to eliminate as much debt as you can. Pay off a student loan. Pay off, or at least pay down, any outstanding credit card balances you have. Doing this shows the lender two things: that you have less debt and that you have a history of repaying loans on a timely basis.

And speaking of loans, don't take out any new ones as you start you r home search. One mistake people make is that they buy a car or purchase furniture on time right before applying for a mortgage. What this does is decrease the loan amount a bank is willing to lend for your home. Banks use a debt-to-income ratio, and all debt is included in this.

You also can improve your odds of getting a mortgage by putting more money down. Those zero and 5 percent-down loans exist, but are harder to come by, with more banks favoring 20 percent. And, with home prices still declining, lenders feel even more comfortable if you put down 25 percent or more. This gives the lender added insurance that the outstanding loan balance won't one day be greater than what the home is worth even if prices decline further. There are also advantages for the borrower. He starts with more home equity that he can later tap if needed. His monthly payment will be less because it is based on a smaller loan amount.

This loan tightening also has led to an increase in the amount of documentation that you may have to show. Along with tax returns and W-2 forms, lenders may want divorce decrees and proof of other sources of income.

Which brings up the point of whether or not you should use a mortgage broker.

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