

# YAHOO! FINANCE

## Mortgages: When a Good Interest Rate Doesn't Matter

[credit.com](#) By Scott Sheldon | Credit.com – 17 hours ago

Consumers shopping for a mortgage tend to be focused on one underlying goal: The lowest possible interest rate. Many have already noticed that rates have crept up in recent weeks as a result of the more exuberant stock market. The consensus is that more consumers who were observing the market movement are seeing rates rise and are now motivated to take action.

### Factors at play

The financial markets, unemployment rate and the Federal Reserve are continuing to support low rates, thereby shifting consumer focus onto interest rate as the catalyst for taking out a home mortgage. While rates are attractive, the ability to qualify becomes an entirely different paradigm. Even the most savvy consumers aren't exempt from underwriting scrutiny.

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### Focus on qualifying

Most consumers would be more financially suited to focus on ability to procure financing — a.k.a. *passing credit standards* — rather than what their interest rate and payment is going to be.

The ideal credit profile that most lenders look for includes the following:

- one stable W-2 job for the past 2 years
- one source of income per borrower
- full supporting income and asset information
- no gyrating income
- transaction is a primary residence
- income is three or more times higher than total monthly liabilities including [mortgage payment](#)
- one or no other property owned
- same residence history for the past 2 years
- at least 40% equity in the house
- middle credit score of 760 or better
- no other cosigners or anyone else on title
- consumer has full access to funds needed
- [no cash deposits larger than 25% of monthly income](#)
- no business losses on the tax return
- six months of [mortgage payments](#) or more in the bank with one sole person listed on each account
- no additional businesses listed on the tax return
- low or no monthly liability payments
- use of a payroll company if a business owner

\*Don't meet one or more of these requirements? Don't worry. However, more proof will be required to [determine your ability to qualify](#).

If your credit profile matches the ideal credit profile above, then by all means start comparing mortgage offers by rate and cost. The good news — the loan qualifications are universal across the board, making a level playing field.

### Signs you're having trouble qualifying for a loan

The most evident situational credit challenge is when the mortgage lender continually asks for updated financial documentation or when financial documentation you supplied causes more questions. Best example — the lender asks you for updated bank statements supporting appropriate cash figures to close the transaction, you provide the updated bank statement thinking you're doing exactly what the lender asked you to do, only to now have to explain the random deposits going into your bank account because the unsourced monies exceed more than 25% of your income.

Another common sign you're having challenges with qualifying is the fact that the lender is taking longer to close the transaction and/or there is an interest rate lock extension which, depending on the lender, you may or may not be charged for.

Ultimately, due to the strict underwriting constraints set forth by the financial markets, the ability to secure financing is paramount, and will certainly remain in place for the foreseeable future. The consumer looking for a loan today doing his or her due diligence in comparing mortgage quotes should get qualified with a lender first, then focus on the rate, payment and costs.

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