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## **QUALIFYING FOR A MORTGAGE IN A TOUGH ECONOMY**

**BRENTWOOD, Tenn.** – Getting a mortgage has become increasingly challenging during recent months. One recent survey showed that 67 percent of those who applied for a mortgage found it more difficult. Although banks now may have stricter lending rules, it is still possible to qualify for a mortgage, according to the Tennessee Society of CPAs. Here are a few steps that may make it easier.

### **DETERMINE HOW MUCH YOUR CAN AFFORD**

Before you apply for a mortgage, you should have a realistic idea of how much you can afford to pay. The American Institute of CPAs' 360 Degrees of Financial Literacy Web site provides calculators that you can use to figure out potential mortgage loan payments. Just visit [www.360financialliteracy.org](http://www.360financialliteracy.org) and click on "Home Ownership." If you apply for a mortgage amount that fits within your budget, you'll be more likely to have your mortgage application approved.

### **PUT YOUR DOCUMENTS IN ORDER**

Lenders will want to know a great deal about your financial history before they give you a loan, so it's important to organize all the documents you'll need for your application. You may be asked for items such as pay stubs or other proof of income, tax returns and information on other debts, such as credit cards or auto loans. The application process will be faster and smoother if you have this documentation in order beforehand.

### **USE YOUR EXISTING CREDIT WISELY**

It's a good idea to have some credit - whether it takes the form of a credit card, auto loan or other debt - but not to overdo it. How much is too much? As a general rule, you should use no more than 25 percent to 30 percent of your available credit. So, if you have a \$2,000 limit on a credit card, don't carry more than a \$500 to \$600 balance on that card.

### **CLEAN UP YOUR CREDIT RECORD**

After the wave of loan defaults and foreclosures that have taken place in recent months, lenders now scrutinize loan applications to ensure that borrowers can afford to pay off the debt they are taking on. In particular, banks are looking for people with good credit scores. Your credit score is based on your financial situation and how well you have managed your credit in the past. If you're uncertain about your ability to get a mortgage, it's definitely a good idea to check your credit report from one of the three national credit bureaus. If your score is low, you may have trouble getting a mortgage or you may face stricter loan terms.

### **REPAIR YOUR CREDIT**

There are two particularly important steps you can take to improve your chances of obtaining a mortgage. First, pay off some of your existing debts. If you have several credit cards and have charged the maximum amount on some or all of them, lenders will be more reluctant to give you credit. It's also important to get into the habit of paying your bills on time. Both of these simple steps can raise your credit score and put you in a better position to get a loan.

### ***About Money Management***

*Money Management* is a weekly column on personal finance prepared and distributed by the Tennessee Society of Certified Public Accountants (TSCPA) as a part of its financial literacy initiative.

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