

Easy ways to get Loans, Leases and Mortgages

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Easy ways to get Loans, Leases and Mortgages

There's an old saying "a bank won't lend you money if you really need it," and it's really almost completely true. Banks prefer to lend money or extend credit to people who already have lots of money, and carry the top credit cards. If you've got bread, no problem for you. But if you haven't, what do you do? Well, the main idea is to look as if you're loaded, to appear as if you have it, and that's often almost as good as having it.

Don't admit you're desperate, even if you are! Look like you couldn't care less whether they'll lend you the money, like you haven't got a care in the world. Dress really well, in your most impressive clothes, when you go to the bank. Allow plenty of time, so you don't have to rush in at the last minute, but can afford to saunter in, as if you're doing them a favor just considering borrowing money from their lousy institution. If it's a country bank, where you can be seen as approach the bank, drive up and park, be sure to arrive in a good car, squeaky-clean and highly-polished, even if you have to borrow your Aunt Martha's Cadillac just for the day.

Arrive primed with all the information the bank wants to know in order to approve a loan (lease or mortgage) for you. If you know that you've got some points in your history over the last five years that will hurt your application (such as not long enough in your present job, not long enough in your present residence, inadequate salary, etc.) try to figure out how you can improve those areas before you go to see the loan officer (to find out what questions may give you trouble, try and get a blank form ahead of time...even from another bank, if you don't want to let your bank know what you're considering).

If you've only been a few months on the job, but your company small and closely-knit, see if you can get the boss to agree to a little white lie, such as that you've been employed for two years. If you've only lived where you are now for a month, see if your mother's willing to have you list her address and telephone as the address where you've been living for the last three years.

If your salary's not high enough, but you get paid overtime quite regularly, see if your company bookkeeper will allow you to list your salary at what it averages out to, including the overtime.

If you've got an unexplained break in your job history, where you were actually out of work, don't list it that way--say you were working for yourself running a small business from your home (give it an impressive-sounding name, and list your best friend's name, address and phone number if they want to check

with your employer at that time).

In short, to get credit it isn't so important to have financial stability as it is to appear to have it. Follow this rule, and getting credit should be easy.

Here are a few tips that may be of great help to you, if they fit your situation.

*If you're getting a lease, normally only a landlord is involved, and most landlords who want to rent out their property will go along with you, even if your credit rating's not so hot, providing you look O.K., speak in a decent and reasonable manner with them, and have at least the first month's rent and the security deposit.

*If a bank won't give you a loan, don't despair! Their standards for credit are very fussy. But commercial finance companies aren't so particular. They charge more interest, but they may come through with the loan.

*If the finance company won't help you, there's always the last resort, your friendly pawnbroker. He'll loan cash on watches, jewelry, furs, musical instruments, guns and everything else of value. Doesn't matter what your credit rating is!

*If you want a loan to start a new business, or increase the capitalization of an existing one, and the bank doesn't want to do it, try one of the companies that offer to lend venture capital for just these purposes. You can get a good list of a large number of these companies in this book: *Venture Capital, The Source-book of Small Business Financing*, edited by Leroy W. Sinclair, published by Technimetrics, Inc., 919 Third Avenue, New York, NY 10022.

Mortgages-the ins and outs

Let's say you've decided it's time you got more space for your family. You don't have a lot of cash saved up, and you don't know your way around the housing market and complicated mortgage terms. What to do?

You're probably already friendly with a banker who knows you from your previous loans. Start with him. Ask him questions. Get his best guess about the amount of money you would have to put down as a down payment on a conventional mortgage. If you can't meet that, you may be willing to put up with some red tape and get an FHA or VA mortgage if you qualify-lower down payments, lower closing costs (which have to be all cash, and can run over \$1,000!), and a longer time to pay the loan off (30 years, compared with 15 or 20, or sometimes 25 years, on a conventional mortgage). For more information on these Government-guaranteed

mortgages, write to:

Further Reading

FHA Mortgages: Federal Housing Administration, Department of Housing and Urban Development, 451 7th Street S.W., Washington, D.C. 20410. VA Mortgages: Veterans Administration, Washington, D.C. 20420 (or your local VA Office).

When Faster is better

If you've just seen your dream house, and three other couples are also trying to buy it, you may want to get the fastest possible mortgage. But don't rush! You can make a bid for the house even if all you have is the down payment, for then you have generally 60 to 90 days before the closing date in which to come up with the rest. (If you can't get a mortgage anywhere, you still get your down payment back, so you have nothing to lose!)

Most people get their mortgages from banks, which we'll tell you about too, but don't overlook another, faster possibility-the real estate broker himself! Brokers often have friendly bankers or other mortgage lenders lined up just waiting for them to find buyers of the properties the brokers are selling. It's easier for a broker to close a sale if he can help you, the potential borrower, get the mortgage you need. So he'll help you.

Aside from broker-arranged mortgages, "conventional" mortgages, (i.e., not backed by the Government: are usually the fastest kind to get. These are available from both commercial and savings banks and from savings and loan associations. Try the savings and loan associations first-savings institutions usually require lower down payments than commercial banks, for example, 20% down at an S&L, compared with 25%-40% down at a commercial bank. The rule of thumb for the amount of money that banks will lend toward a mortgage is usually the capital amount that would result in monthly payments which will not exceed about 25-30% of your before-tax income. If you're trying to buy a house that's too expensive for you, the bank will know that, by using their rule of thumb for what they will think you can afford: one month's housing costs (principal, interest, real estate taxes, and insurance) should not be more than one week's salary (after you deduct any other debt payments from your weekly salary figure). Know what the figures look like before you walk in asking for a mortgage-if you look like you know what you're doing, the bankers will be much more cooperative, and maybe stretch their requirements, especially if they know you as a person who has been a responsible borrower of theirs before!

Further "points" about mortgages

Sellers sometimes help out potential housebuyers, even when the mortgage is financed by a bank. This can occur in two ways, first, if the mortgage lender (bank, S&L, other) adds "points" to the cost of the mortgage. Technically, these points are percentage points that the lender charges the seller, to make the interest rate higher. (Most States have usury laws, which make it illegal for mortgage and other interest rates to go above a certain level, like 8 1/2%. If interest rates in unregulated areas are higher, the bank is going to get that higher rate one way or another!). So the lender deducts, for example, five points or five percent from the amount he is really willing to lend to the borrower. Either the seller has to take a lower price for his property than he expected, or the buyer has to pay 5% more than he expected. Depending on how anxious the seller is to sell, and how many buyers there are for his property, he may take the lower price (pay the points himself) or split the cost with the person who wants to buy his house, or else insist that the buyer pay the points all by himself.

In numbers, points work like this: 5 points charged on a \$20,000 mortgage means that the lender is not really going to lend \$20,000, but only 95% or \$19,000. Since the seller wants \$20,000 (in addition to the down payment) as his price, the buyer must pay the extra \$1,000, which is about the same as adding an extra 1/2% to the rate of interest he is paying.

More help from the seller!

Sometimes sellers are anxious to sell their houses, but find it difficult to do so—either the banks aren't making many mortgages at that time, or the seller's price is too high, or the neighborhood is "transitional" and potential buyers are reluctant to invest. So the seller may offer a mortgage of his own to a buyer! This can be either a first or a second mortgage, (the second is in addition to and subordinate to the first that you got from the bank) especially if the bank won't lend you what you need. If your dream house costs \$40,000, with a \$10,000 down payment, but the bank will only lend you \$20,000 to put with your ready \$5,000 cash, don't despair. The seller might be willing to give you a so-called "Purchase Money" mortgage (money with which to purchase his house) for the missing \$15,000, to be paid back to him over the next ten years in monthly installments. (Sellers sometimes like to do this as a way of getting an annuity, or annual income, for themselves or to reduce the taxes they would have to pay if they received all the cash in one year.) Real estate brokers won't always tell you about this angle, so you may have to do the footwork yourself, following up the ads that list owner or principal, not broker. But it could pay off!