



What Does Mortgage Documentation Consist of?

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There are three levels of income documentation that you could be asked for when applying for a mortgage. Because the risk to the lender increases as the amount of documentation decreases, the rates

associated with each level will be different.

1. **The most common mortgage is a full documentation loan.** This requires a W2, current pay stub, and proof of assets. This is to verify that the income amount on the application is correct. (If you are an outside contractor or self-employed and, therefore, don't have a W2, you may be required to produce your most recent tax returns - typically, the last two years.) **Full documentation loans often qualify for the lowest available rates.**
2. **A stated-income loan requires less documentation.** These are for people whose earnings don't always match to the bottom line of their income tax returns. **In this case, you would state your gross earnings on the application but they wouldn't be verified.** Asset information would still be required. This doesn't mean you can make up a salary number, but it allows you not to submit the returns. Without income verification, the risk is higher to the lender, and therefore, the rate is slightly higher as well.
3. **The lowest level of documentation is called "no doc."** This is a program where you don't submit *any* income information and don't even state a number on the application. You provide the bank with your name, social security number, address of property and the projected down payment. The loan is based off of your credit and the property's appraisal report. "No doc" loans are the riskiest from the bank's standpoint, so the rate is typically the highest among the three levels.

Remember, it is important to work with a trusted mortgage professional to figure out what type of documentation is appropriate for you and your specific situation.



Got questions about real estate financing?

Contact Debbie@westchester-mortgage.com or 617-965-1236. She'll consider them for inclusion in a future column. Debbie Siegel is president of Westchester Mortgage in Newton, Massachusetts. She is licensed in several Northeastern states.