The Road Map to Your Mortgage

1. Become Pre-Approved*

Becoming pre-approved is important while house hunting:

- You'll know how much house you can afford so that you don't waste precious time looking at properties that are not within your price range.
- Being pre-approved gives you the negotiating power you may need, plus it lets the seller know your financing is certain and you are serious about purchasing a home.

*conditional approval

START

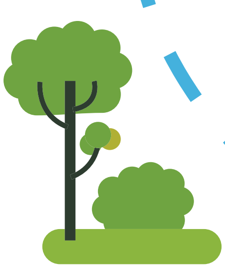
2. Get Organized

You will need to provide numerous important documents to help verify your expenses and income. This allows us to give you the most accurate assessment of how much you can afford to borrow.

- W-2s from last 2 years
- Paystubs for last 30 days
- Last 2 months of any stock, mutual fund, or IRA/401k accounts
- Copy of your divorce decree (if applicable)
- Last 2 months of bank statements (all banks and all pages)

Need Directions?

You can always reach out to your Loan Officer with any and all questions! Remember that your Loan Officer will guide you through the whole process - this is just a guide on everything that is needed to get you into your dream home.



3. Apply For Your Loan & Provide Docs

Employment & Income Info:
- W-2s from the last 2 years
- Paystubs for the last 30 days, showing YTD earnings
- Most recent tax return
- If self-employed: tax returns for past 2 years
- For VA applicants: DD214 and Certificate of Eligibility

Property Info:
- Residence history for past 2 years
- Contract of sale on present home (if applicable)
- Current real estate purchase contract

Assets:
- Last 2 months of all bank, stock, mutual fund, and/or IRA/401k statements (all pages)

Liabilities:
- Divorce or bankruptcy papers
- Alimony payment info
- Child support info

Additional Info:
- Driver's license
- Check for application fee

Receive Loan Estimate and communicate Intent to Proceed.

4. Underwriting/Approval

Once you have completed your loan application, we will begin the loan process, which includes researching the following:

- Credit history
- Employment history
- Assets, including your bank accounts, stocks, mutual funds, and retirement accounts
- Property value of the home you are buying

You can expedite the loan process by following a few guidelines:
- Promptly respond to requests for additional documentation. This is especially important if your rate is already locked or if you plan to close by a specific date.
- Do not make any major purchases, such as a car, furniture, or another house until your loan is closed. Large purchases that increase your debt may have an adverse effect on your loan.
- Do not move money into your bank accounts unless it can be documented. If you receive money from a family member or friend, please inform your loan consultant before depositing.

At least 3 days before you close on your home, you will receive a Closing Disclosure. This is a 5 page document that will help you understand all the costs of your loan. Once you receive this, it is **critical** that you confirm receipt **immediately**.

5. Closing Your Loan

Be prepared to:
- Bring a cashier's check for your down payment and closing costs (if applicable)
- Review your final loan documents to verify the interest rate and loan terms are what you agreed to. Confirm the name and address that appear on the loan documents.
- Sign all loan documents.

What You Need to Know

When Working with Your REALTOR®

What Is a Pre-Qualification?

A pre-qualification is a free process of determining how much money a potential homebuyer will be qualified to borrow before applying for the loan.

After a quick analysis of your income, assets, and credit, your Loan Officer will be able to tell you what loan amount you are most likely to qualify for and what the best loan program for you will be.

When Working with Your Loan Officer

What Loan Is Best for Me?

Your Loan Officer will build the best loan program for your situation, and may ask these questions when helping you choose a loan:

- How long do you plan on residing in the home?
- Do you expect to have a significant increase in income in the near future?
- Is a stable monthly payment or a low initial interest rate more important?
- How much do you have for a down payment?
- Are you self-employed or on commission?

During the Process

What are Closing Costs?

Closing costs are fees that both the buyer and the seller must pay for services performed to process and close the loan. In addition to the purchase cost, some closing costs may include:

- Appraisal fees
- Title and recording fees
- Pre-paid interest
- Loan discount points
- Title insurance

You've got questions and we've got answers. Here's the scoop on the most frequently asked questions.

What Is a Pre-Approval?

Once you know your maximum loan amount and begin your home search it's time to get pre-approved! A pre-approval is a free in-depth assessment that gives you a conditional approval from the lender for a specific loan amount prior to purchasing a home. It also shows the seller and REALTOR that you are serious about purchasing a home and gives you an advantage if someone else is interested in the same property.

We're Here to Help!

Your REALTOR is filled with extensive knowledge of the industry and is your best tool for answers and advice.

Can I Qualify to Buy a Home if I Recently Changed Jobs?

Yes! When you apply for a loan, you are evaluated on your employment history and stability of income.

Fixed Rate vs. Adjustable Rate

The interest and payment in a fixed rate loan remain constant over the life of the loan. Interest and monthly payments in an adjustable rate loan may increase or decrease over time.

What's In a Mortgage Payment?

Typically: principal, interest, property taxes, mortgage insurance, and home insurance.

When Should I Refinance?

You should refinance if interest rates have substantially decreased, to eliminate mortgage insurance, or to increase cash flow, AND you plan on staying in your home long enough so that the savings surpasses the refinance cost.

What Is Hazard Insurance?

Hazard insurance is a contract that protects you from any financial losses on your property that might result because of fire, wind, or other hazards. In some cases, you will have to purchase additional flood insurance if you live in a flood risk area as determined by FEMA.

Tip: Make sure you get an insurance quote and declaration page early in the purchase process to avoid closing delays.

What is PMI?

PMI stands for Private Mortgage Insurance. PMI is additional insurance for homebuyers who have less than a 20% down payment. This protects the bank against loss if a borrower defaults on the loan.

TRID: The NEW Mortgage Process

Effective October 3, 2015, government regulations created stricter rules and documentation requirements. No need to worry - your Loan Officer will walk you through every step from day 1 through closing!

Once you find a house and are under contract, the following steps have to play out in this exact order:

1. Submit Your Application

An application is defined as the Lender being in receipt of five questions on the application plus the property address of the home you are buying. So when you give your sales contract to the Lender, the application process officially starts.

2. Give Your "Intent to Proceed"

Once in receipt of the application, the Lender has three business days to send you a full set of government regulated loan disclosures including the primary disclosure known as the Loan Estimate (LE).
Once you receive these disclosures, it is critical that you give your "Intent to Proceed" and send the signed disclosures back to the Lender right away. Only after the "Intent to Proceed" has been received can the Lender collect the appraisal fee, order the appraisal, order the title, and collect loan documentation.

3. Submit Requested Documents

It is imperative that you pull all requested documentation together and get it to the Lender immediately to avoid delays. The Lender is going to be moving your Loan File through a series of steps including Set Up, Processing, Underwriting, Clearing Conditions, and Closing. If your file is not complete, then your file cannot be moved forward.

4. Confirm Receipt of the Closing Disclosure

The Lender will prepare the final Settlement Statement, now known as the Closing Disclosure (CD), and e-mail it to you. It will be critical that you confirm receipt right away. Once the Lender has confirmed receipt, the closing can then take place three business days later (Saturday counts as one of days). There are no exceptions to this three day rule.

Glossary

Reference this glossary of mortgage terms as you travel through the process.

Adjustable Rate Mortgage (ARM) - An ARM Loan allows the lender to adjust the interest rate during the term of the loan. Generally, these changes are determined by a margin and an index so that the interest rate changes, up or down, are based on the market conditions at the time of the rate change.

Amortization - The breakdown of a mortgage (including principal and interest) into equal payments over a specified period of time.

Annual Percentage Rate (APR) - The federal government developed APR to make it easier for consumers to compare mortgage loan rates for comparison shopping purposes. Some of the costs you pay at closing are factored into the APR for ease of comparison. Your actual monthly payments are based on the periodic interest rate, NOT on the APR.

Appraisal - An estimated value of the property. As part of the loan approval process, the lender will hire an appraiser to assess the property and determine whether the loan amount is appropriate to its value. The appraiser uses several factors to determine the property's value, including location, condition, and the sales price of recently sold comparable properties in the area.

Closing - The point at which the property's sale becomes final. The borrower signs the mortgage papers and in return receives the deed to the property. It is at this point that the down payment and closing costs are paid to the lender.

Closing Disclosure - A 5 page document that provides disclosures that will be helpful in understanding the costs of the loan.

Commitment Letter - A formal offer by a lender stating the terms under which it agrees to lend money to a homebuyer.

Construction Loan - A short-term loan used for financing the construction cost of a home, in which the lender makes payments to the builder at periodic intervals as the work progresses.

Credit History/Report - A record of a person's debts, both open and paid, and their payments toward those debts.

Earnest Money - A deposit paid by a potential homebuyer to a REALTOR upon bid acceptance that indicates their intention to purchase the house.

Escrow - A "forced" savings account, in which a portion of the monthly mortgage payment is set aside by the lender for payment of such expenses as property taxes or hazard insurance. This assures the lender that adequate funds will be available to pay these.

Equity - The amount of a property that is "owned" by the homeowner, versus the amount still owed on the mortgage.

Equity Loan - A loan taken against a home's equity. In essence, the homeowner is taking out a loan against him or herself, and is repaying into their own mortgage.

Fixed Rate Mortgage - A loan that carries a guaranteed fixed **interest** rate and payments for the life of the loan.

Flood Insurance - Insurance that compensates for physical property damage resulting from flooding. It is required for properties located in federally designated flood areas.

Government Loan - A loan that is insured by the federal government, through agencies such as the FHA or VA.

Inspection - A thorough review of the home's structural and mechanical condition performed by a qualified home inspector that has been hired by the buyer.

Interest - Fee charged by the lending institution for borrowing money.

Jumbo Loan - A loan that exceeds the purchase limits established by Fannie Mae and Freddie Mac. Also called a non-conforming loan.

Line of Credit - An agreement by a financial institution to extend credit up to a certain amount for a certain time to a specified borrower; often taken against a home's equity.

Loan Estimate - 3 page document provided by the lender which includes a full set of government regulated loan disclosures, including the primary disclosure. Signed at time of application.

Loan-to-Value (LTV) - The relationship between the principal balance on the mortgage and the appraised value of the property. For example: A $100k home with $80k remaining on the mortgage has an LTV of 80%.

Lock - Also called a rate lock. A commitment by the lender to guarantee a specific interest rate if a mortgage closes within a set period of time (usually 30, 45, or 60 days).

Mortgage Insurance - Insurance for the lender in the event that the borrower defaults on the loan. Typically required when the loan has an LTV of 80% or greater.

Offer to Purchase - Also called an "offer". When potential buyers are interested in purchasing a house, they will place a bid offering to pay the seller a certain price.

Origination Fee - A fee paid to a lender for processing a loan application. The origination fee is stated in the form of points, and is paid at the time of closing.

PITI - An acronym for Principal, Interest, Taxes, and Insurance - factors that comprise a monthly mortgage payment.

Points - The borrower can purchase points in exchange for a lower interest rate. One point is equal to one percent of the loan amount and can decrease the interest rate by 1/8 to 1/4 percent. Before purchasing points, it is important to determine if the up-front cost will justify the long-term savings.

Principal - The portion of your mortgage loan that represents the actual amount borrowed, not including interest.

Refinance - The process of paying off one loan with the proceeds from a new loan (usually for a lower interest rate) using the same property as security.

Reserves - A cash amount that a homebuyer must have on hand after making a down payment and paying all closing costs.

Title - The legal document guaranteeing ownership of a property.

Title Insurance - Insurance that protects the lender or buyer against a loss arising from a dispute of a piece of property. The cost is paid once, at the closing of the loan.

Underwriting - The process of reviewing, analyzing, and verifying your submitted loan for approval.