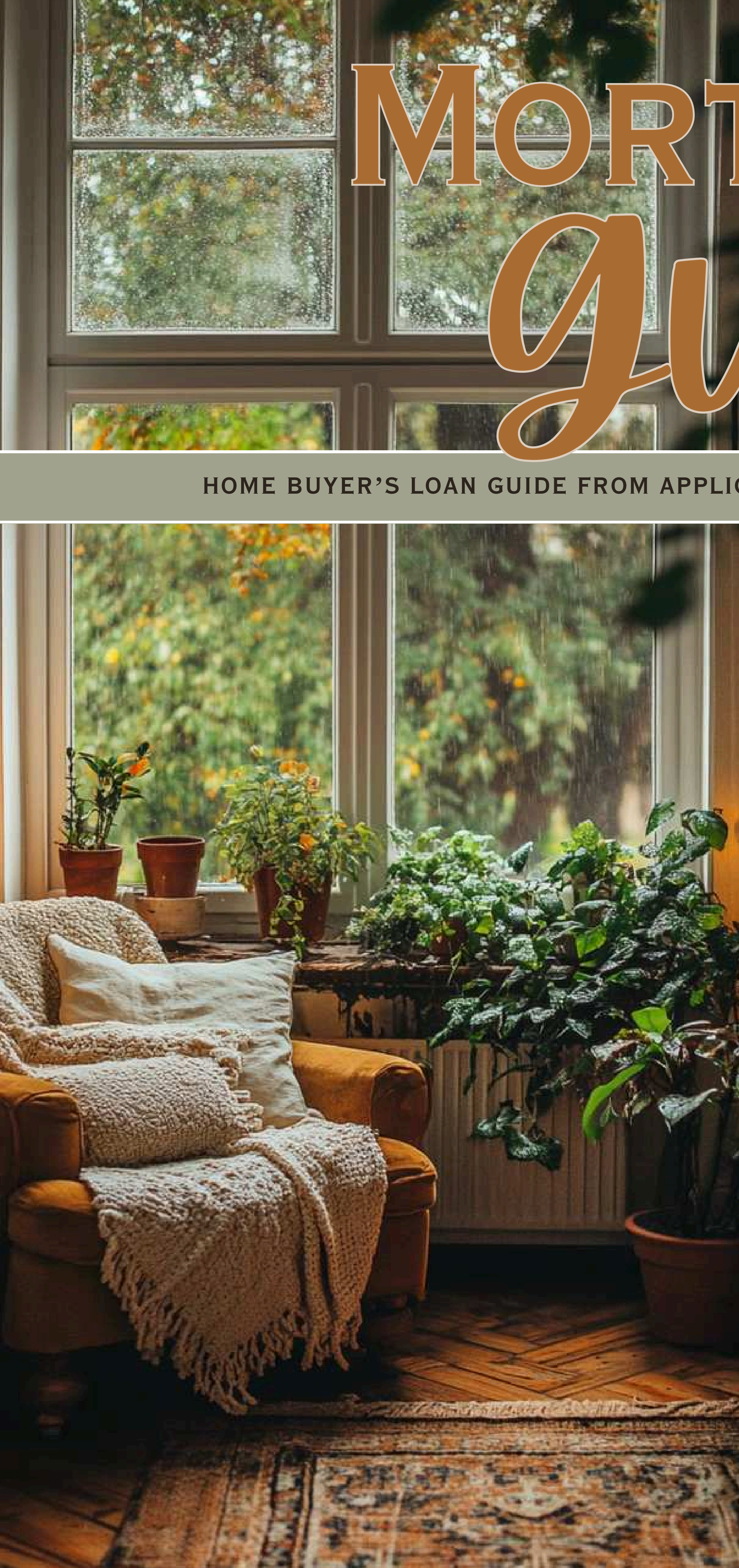
MORTGAGE guide

HOME BUYER'S LOAN GUIDE FROM APPLICATION TO CLOSING



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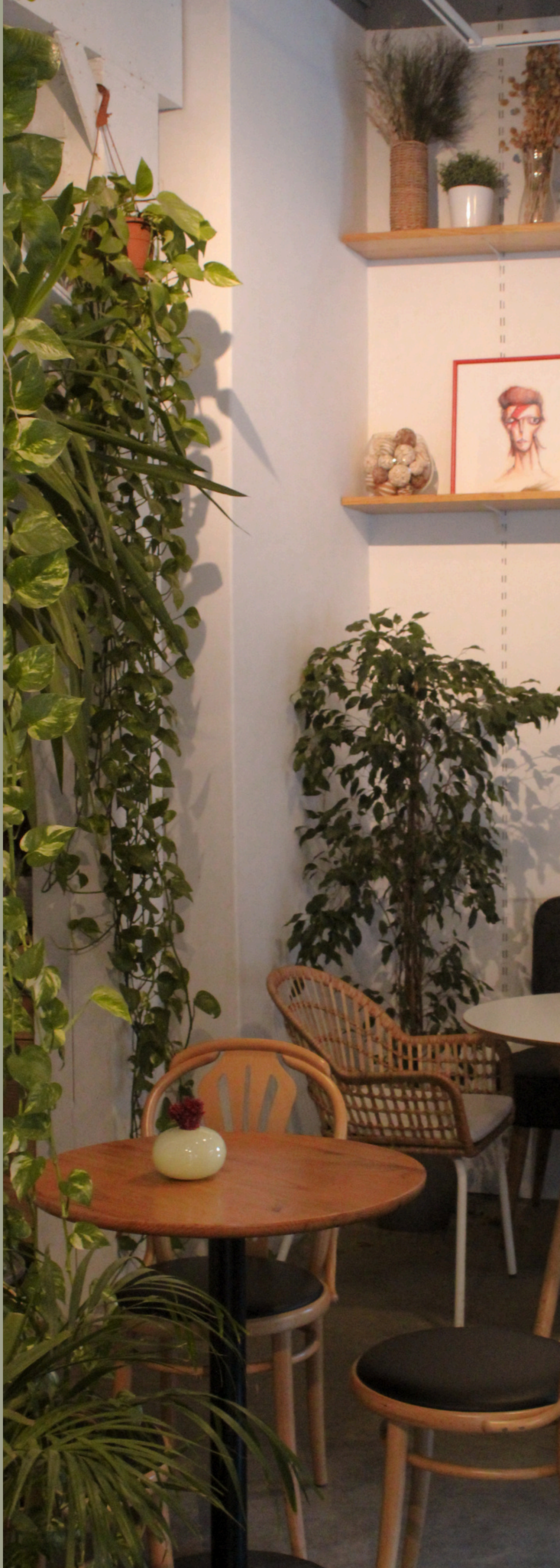
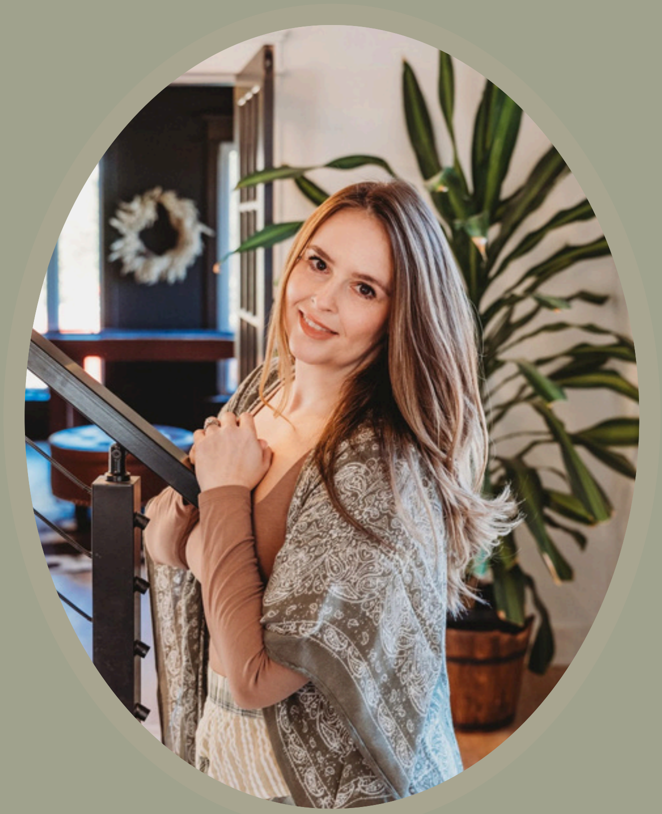


WELCOME TO THE MORTGAGE GUIDE

nice to meet you!

A home is one of the biggest assets you'll purchase, so understanding the mortgage process and choosing the right loan is essential. From interest rates and loan types to closing costs and mortgage terms, this guide will help you understand the entire process from start to finish.

Getting a home loan doesn't have to be confusing or overwhelming, read through this guide and know that I'm always here to answer any questions you may have!



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THE LOAN PROCESS

1. PRE-APPROVAL
2. FIND YOUR HOME
3. SUBMIT FORMAL LOAN APPLICATION
4. LOAN PROCESSING & INITIAL UNDERWRITING
5. CONDITIONAL LOAN APPROVAL
6. LOAN PROCESSING & FINAL UNDERWRITING
7. LOAN APPROVAL & CLEAR TO CLOSE
8. CLOSING DAY!

THE LOAN PROCESS explained

Navigating the loan process is a critical part of buying a home. Understanding each step can help you move through the process more smoothly and make the right decisions for you. Let's break down each step of the process!

1. PRE-APPROVAL

getting pre-approved helps you better understand what you can afford, it's an assessment of your loan eligibility. This involves submitting documents such as pay stubs, tax returns, bank statements, and a thorough credit check- It's essential to be accurate and organized when providing this information, as any discrepancies can delay the process. your pre-approval letter also demonstrates to sellers that you're a serious buyer. all sellers will require a pre-approval letter to be submitted with your offer.

2. FIND YOUR HOME

Begin your home search! Work with a real estate agent to tour homes and choose the right one that fits your needs and budget. Once you have an accepted offer you'll move on to the next steps in the loan process.

3. FORMAL LOAN APPLICATION

Formally applying for a loan allows lenders to assess your eligibility for a mortgage. Once we plug in the address to your new home, your application is complete. the lender will review your financial health and begin the underwriting process.

THE LOAN PROCESS EXPLAINED
continued

4. PROCESSING: INITIAL REVIEW

Once your loan application is submitted, it enters the loan processing stage, where a loan processor meticulously verifies all your financial documents, ensuring everything is accurate and complete. Then your application moves to underwriting, where an underwriter evaluates your overall financial profile, including your creditworthiness, income stability, and the value of the property you wish to purchase. The underwriter's role is to assess the risk of lending you money and determine if you meet the lender's criteria for a mortgage.

5. CONDITIONAL LOAN APPROVAL

After the initial review is complete, the underwriter will present us with a list of conditions to satisfy in order to approve your loan. This step is the most tedious as it will require you to provide further documentation and explanations as needed. There may be some back-and-forth with this process, but ultimately we will clear every condition in order to move forward.

6. PROCESSING: FINAL UNDERWRITE

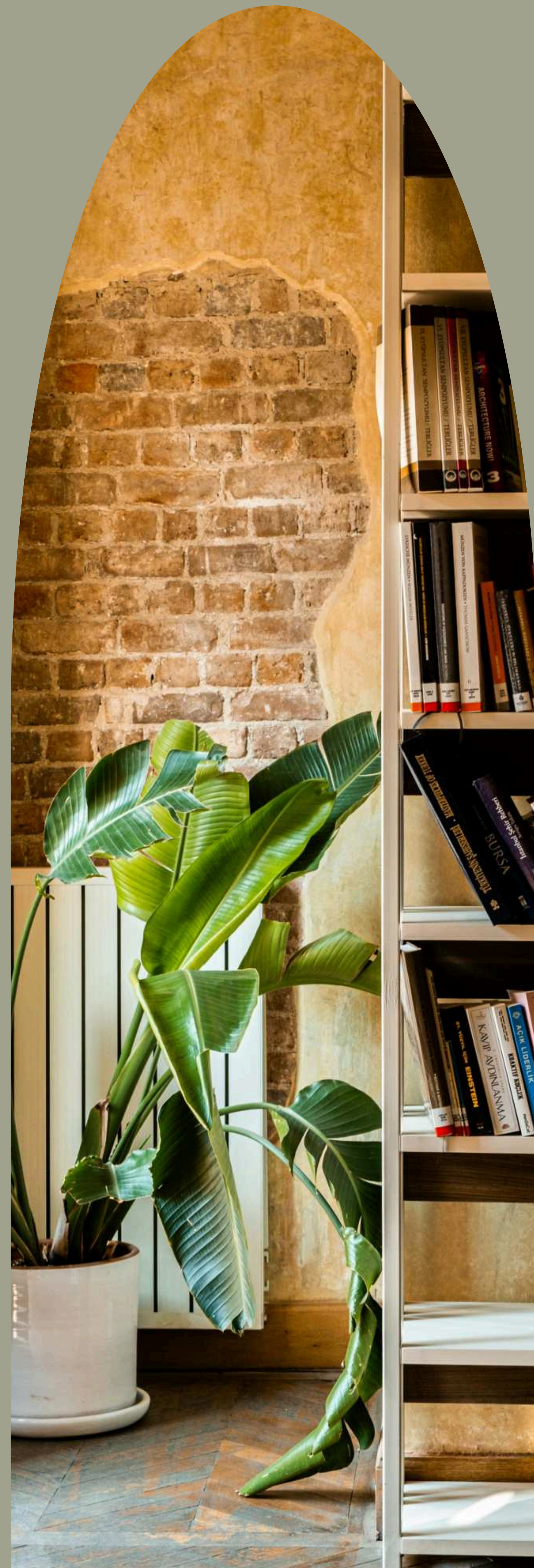
Now that you have submitted all documents required for the conditions, it is time for the final review from the underwriter. Once they are satisfied that every need has been met, you move on to final approval!

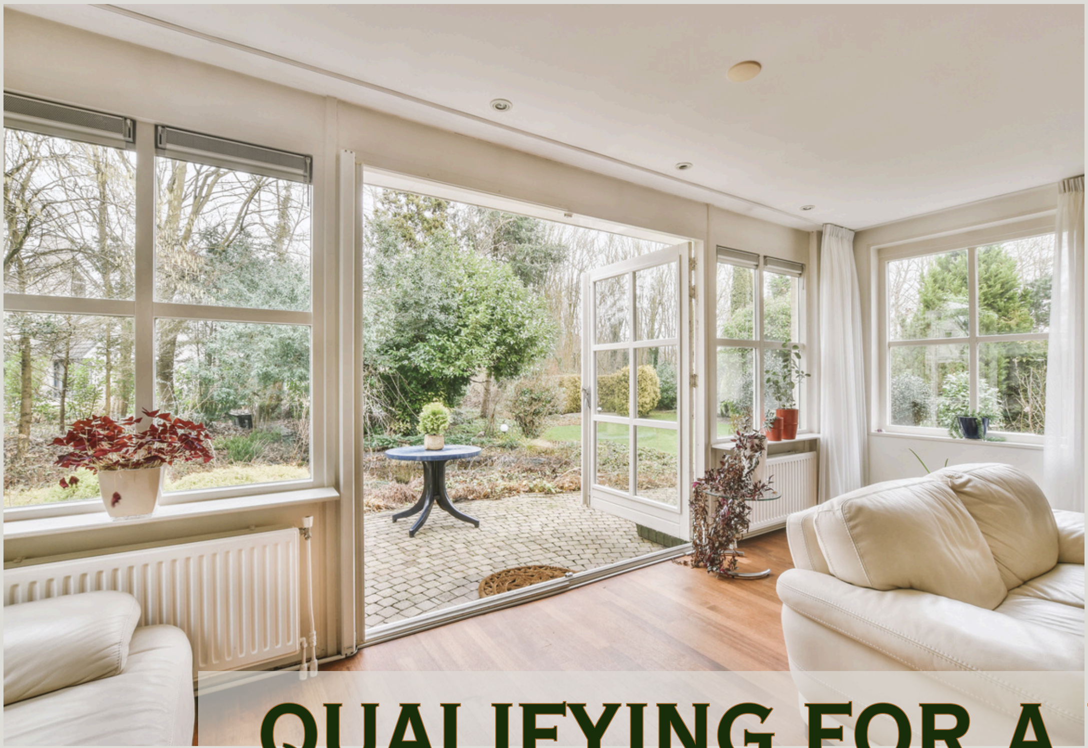
7. LOAN APPROVAL

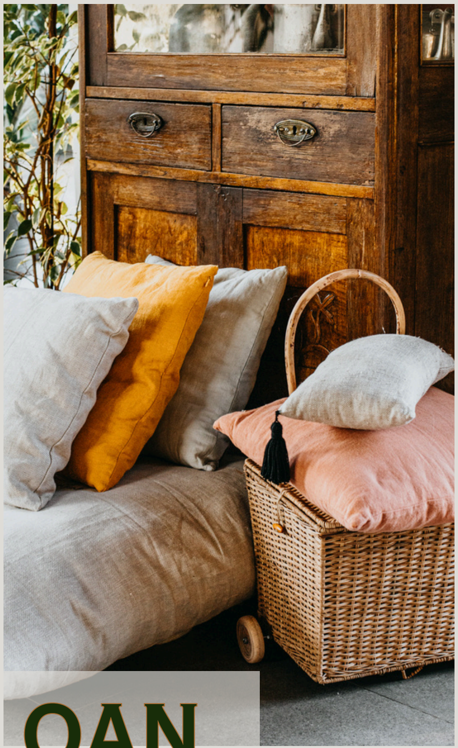
Your loan has now been meticulously processed and underwritten, and you receive the coveted "clear to close" from your lender, signifying that all conditions have been met and your mortgage is officially approved.

8. CLOSING DISCLOSURE & CLOSING

The Closing Disclosure (CD) and the closing process are the final steps to securing your new home. The CD, which you receive at least three business days prior to closing, details the final terms of your mortgage loan, including loan terms, monthly payments, fees, and closing costs. You can review the document thoroughly, ensuring all information aligns with your expectations and there are no surprises. On closing day, you'll sign the final paperwork and pay any remaining funds to close. This process transfers ownership of the property to you, and the keys are yours!







QUALIFYING FOR A LOAN

As a mortgage broker, one of the most frequent questions I get asked is, "How can I qualify for a home loan?" The process can seem complicated, but with the right preparation and understanding, you can navigate it with ease.

Qualifying for a home loan involves demonstrating to lenders that you are financially capable of repaying the loan. They'll assess your financial health through various criteria to determine your eligibility and to make sure they're not taking on too much risk. Here are the main factors they consider:

CREDIT SCORE

Your credit score is a critical indicator of your creditworthiness and financial responsibility. It shows lenders how well you've managed debt in the past. A score of 620 or higher is often required for conventional loans, though higher scores may qualify for better interest rates. FHA loans may allow lower scores (580 or higher).

ASSETS & SAVINGS

Having sufficient savings and assets shows lenders you have the financial resources to cover down payments, closing costs, and emergency expenses. Lenders will typically require sufficient funds to cover down payments, closing costs, and reserves (reserves refers to cash or other easily accessible assets you could use to make mortgage payments, above and beyond the down payment and closing costs. Reserves are measured in months. Six months of reserves on hand means six months worth of mortgage payments).

QUALIFYING *for a loan*

CONTINUED

DEBT-TO-INCOME RATIO (DTI)

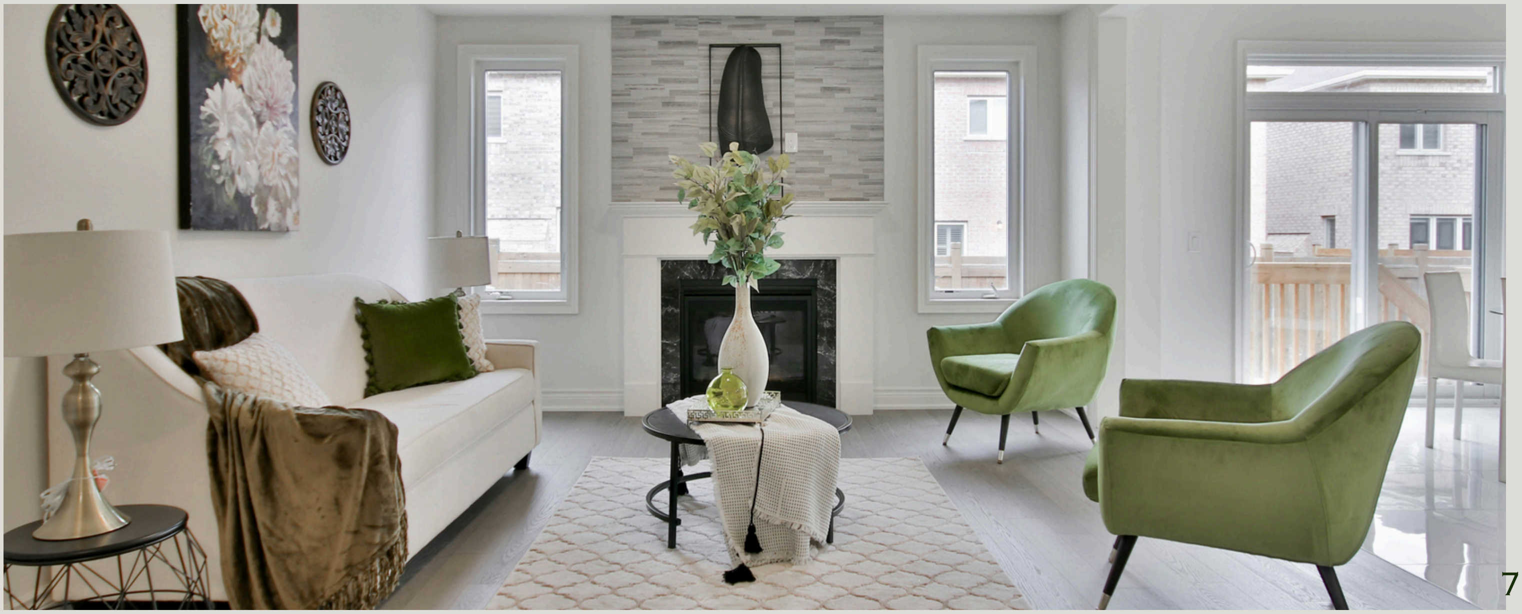
DTI measures your monthly debt payments relative to your monthly income. It helps lenders understand your ability to manage monthly payments alongside existing debt. You can improve this metric by increasing your income, paying down debt, and avoiding large purchases before buying a home.

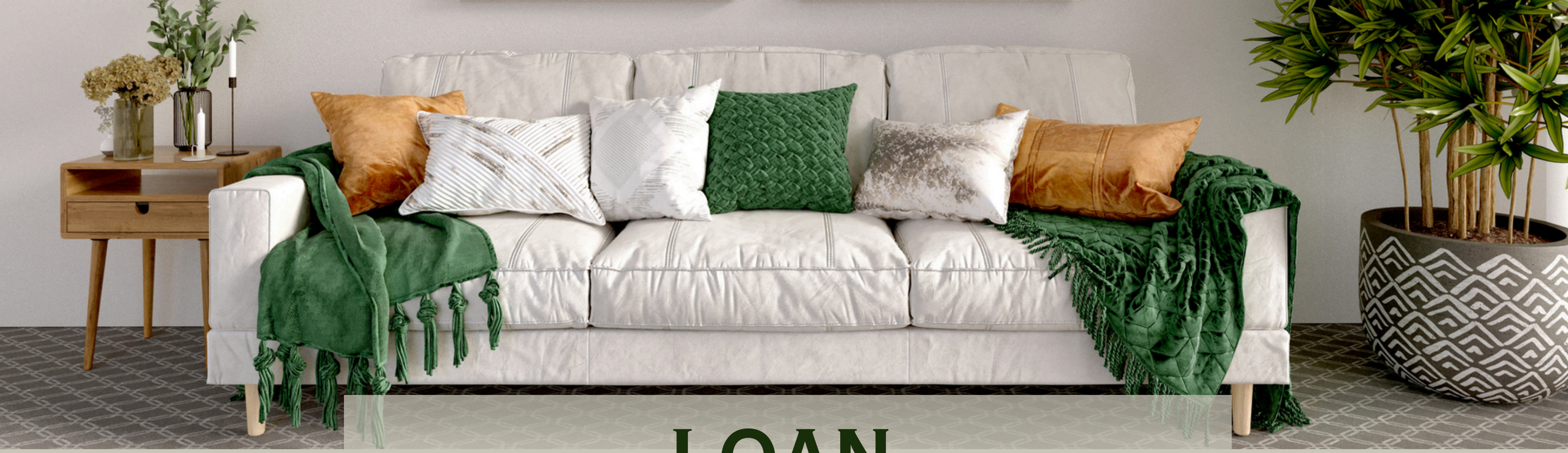
EMPLOYMENT & INCOME STABILITY

Stable employment and a consistent income demonstrate your ability to make regular mortgage payments. At least two years of steady employment in the same field is ideal, so it's important to avoid changing jobs shortly before or during the application process.

DOWNPAYMENT

A larger down payment reduces the lender's risk and can lead to better loan terms. Typically, 20% of the home's purchase price is ideal for conventional loans to avoid private mortgage insurance (PMI), but many programs allow as low as 3%-5%.





LOAN DOCUMENTATION

PROOF OF IDENTITY

Why It's Needed: To verify your identity and prevent fraud.

Examples: Driver's license, passport, social security card.

PROOF OF INCOME

Why It's Needed: To confirm your ability to make mortgage payments.

Examples: Pay Stubs (Usually last 30 days), W-2 Forms (Past two years), Tax Returns (Past two years), 1099 Forms (If you're a contractor or freelancer)

EMPLOYMENT VERIFICATION

Why It's Needed: To confirm your current employment status and income stability.

Examples: Letter from Employer (Stating position, salary, and length of employment), Recent Bank Statements (Showing direct deposit of paychecks)

PROOF OF ASSETS

Why It's Needed: To verify you have sufficient funds for the down payment and closing costs.

Examples: Bank Statements (Past 2-3 months), Investment Account Statements (Balances in stocks, bonds, or retirement accounts), Proof of Any Other Assets (Such as real estate holdings)

LOAN DOCUMENTATION

continued

DEBT INFORMATION

Why It's Needed: To calculate your debt-to-income ratio, which impacts loan approval.

Examples: Statements for All Debts (Including credit cards, car loans, student loans, and other monthly obligations), Documentation of Monthly Payments (For each debt)

CREDIT HISTORY

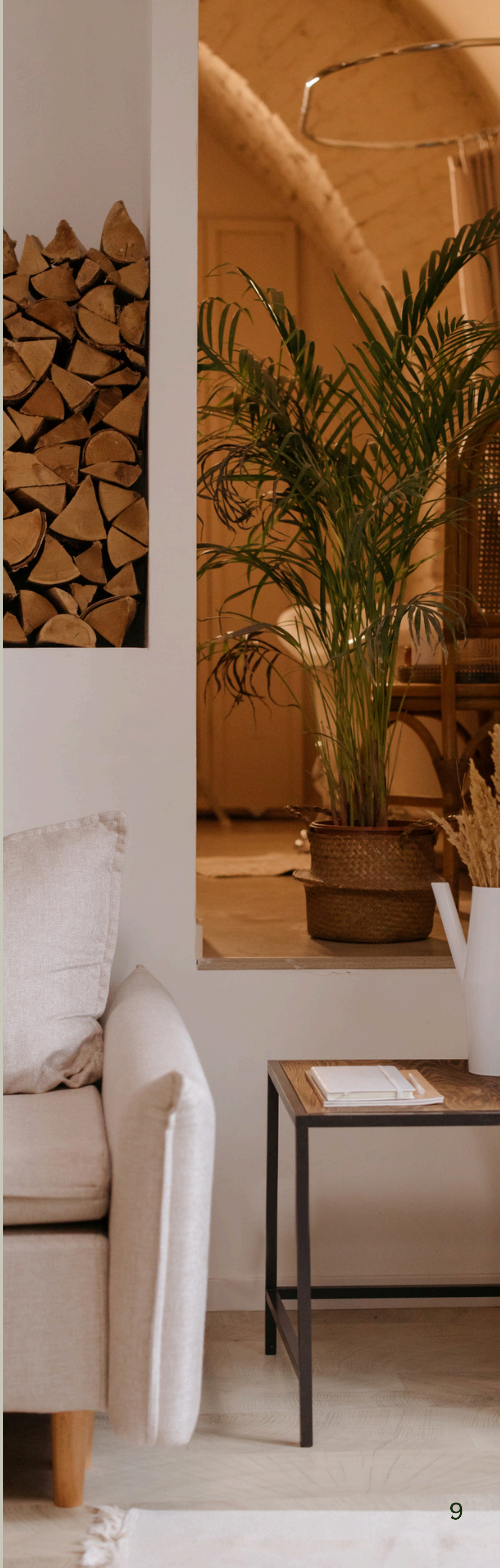
Why It's Needed: To assess your creditworthiness and ability to manage debt.

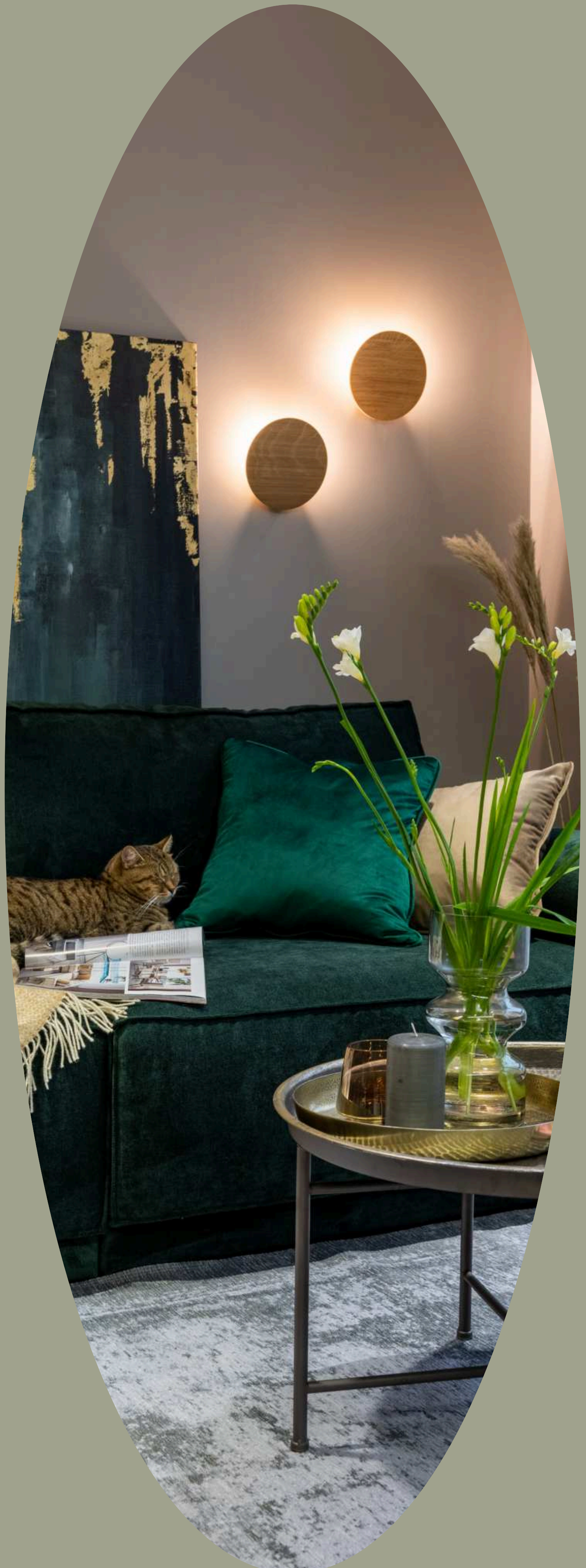
Examples: Credit Report (Your lender will pull this), Explanation of Any Derogatory Items (If applicable, provide explanations for any late payments, bankruptcies, or other credit issues)

PROPERTY INFORMATION

Why It's Needed: To ensure the property meets lender requirements and is worth the loan amount.

Examples: Purchase Agreement (Signed contract between you and the seller), Property Appraisal (Conducted by a licensed appraiser to determine the property's value), Homeowner's Insurance (Proof of coverage for the property), Title Insurance





types of loans

CONVENTIONAL

Conventional loans are one of the most popular mortgage options for homebuyers, offering flexibility and competitive terms for those who meet the qualification criteria. They typically require higher credit scores and larger down payments. However, they come with benefits like lower overall borrowing costs and the possibility of avoiding private mortgage insurance (PMI) if you can put down at least 20%. These loans are available in fixed and adjustable-rate options.

FHA

FHA loans are a popular choice among first-time homebuyers and those with less-than-perfect credit due to their accessible qualification requirements. These loans offer competitive interest rates and require lower down payments compared to conventional loans, often as low as 3.5%. They're also more lenient with credit scores and debt-to-income ratios, though they do require mortgage insurance premiums (MIP) throughout the life of the loan.

VETERAN (VA)

VA loans are a powerful financial tool designed to honor and support our nation's veterans, active-duty service members, and eligible military spouses on their journey to homeownership. One of the most significant advantages of VA loans is the ability to purchase a home with little to no down payment and they often feature competitive interest rates and do not require private mortgage insurance (PMI). These loans are accessible to individuals with varying credit profiles and provide flexibility in terms of eligibility requirements and property types.

NON-QM

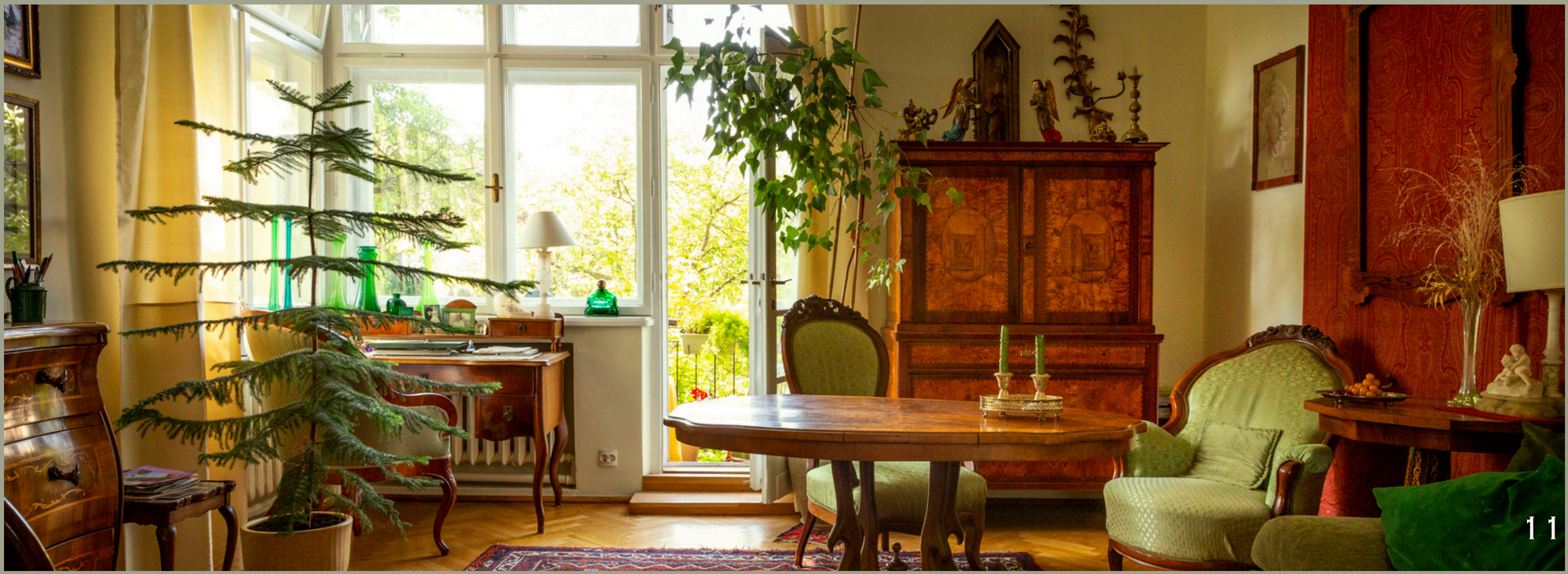
Also known as Non-conforming. non-qm loans are not held to the standards of the government-backed loans listed above. There are many programs designed to meet the needs of borrowers with non-traditional income. Some of these programs include DSCR, Bank Statement Loans, HELOCs, etc. If you don't qualify for any of the more common loan types above, we may choose to explore a non-qm option.

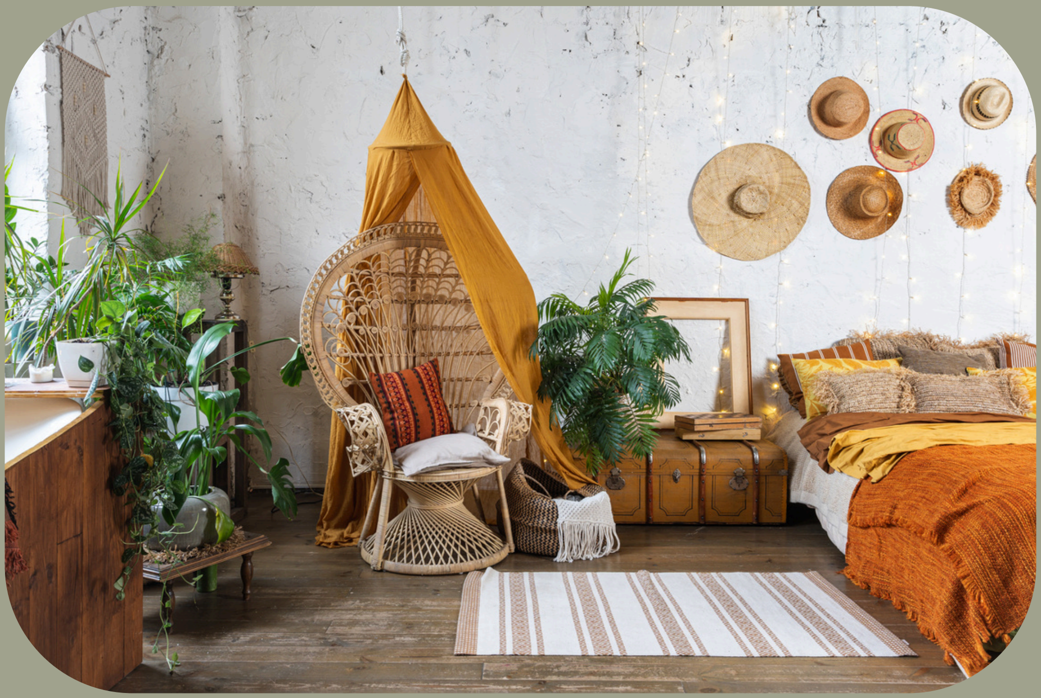
DOWN PAYMENT ASSISTANCE

worried about affording your down payment? USDA loans offer $0 down in eligible areas, plus other assistance options we can explore!

JUMBO LOANS

Jumbo Loans For homes exceeding conventional loan limits. they typically require higher credit scores and larger down payments.





Comparing
LOAN TYPES

TYPE OF LOAN	DOWN PAYMENT	TERMS	MORTGAGE INSURANCE	MINIMUM CREDIT SCORE
CONVENTIONAL	3 - 20%	15-30 Years	On down payments under 20%	620
FHA	3.5 - 20%	15-30 Years	For the life of the loan	580
VA	None	15-30 Years	None	Varies
DPA	None	30 Years	varies	620

UNDERSTANDING *seller credits*

SELLER CREDITS: THE AMOUNT OF MONEY CONTRIBUTED BY THE SELLER TO HELP PAY BUYER'S CLOSINGS COSTS. COMMONLY REFERRED TO AS "SELLER CONTRIBUTIONS" OR "CLOSING COST ASSISTANCE (CCA)"

THERE ARE SOME RESTRICTIONS ON HOW MUCH THE SELLER CAN PAY TOWARD BUYERS COSTS.

THE CHART BELOW MAY HELP YOU WITH UNDERSTANDING THE PARAMETERS DURING OFFER NEGOTIATIONS.

LOAN TYPE	PROPERTY TYPE	DOWN PAYMENT	CONTRIBUTION TYPE	MAX SELLER CONTRIBUTION
CONVENTIONAL	PRIMARY RESIDENCE & SECOND HOME	LESS THAN 10%	CLOSING COSTS, PREPAID ITEMS, & DISCOUNT POINTS	3%
		10%- 25%		6%
		MORE THAN 25%		9%
CONVENTIONAL	INVESTMENT PROPERTY	15% OR MORE	CLOSING COSTS, PREPAID ITEMS, & DISCOUNT POINTS	2%
FHA	PRIMARY RESIDENCE	3.5% OR MORE	CLOSING COSTS, PREPAID ITEMS, & DISCOUNT POINTS	6%
VA	PRIMARY RESIDENCE		ALLOWABLE CLOSING COSTS & PREPAID ITEMS ARE **UNLIMITED** DISCOUNT POINTS CAPPED AT **2%**	
			NON-ALLOWABLE INCLUDING DEBT PAY-OFF **4%**	

CLOSING COSTS

1. Loan Origination Fees: Charged by the lender for processing the loan application and underwriting.

2. Appraisal Fee: Pays for an appraisal to determine the property's market value.

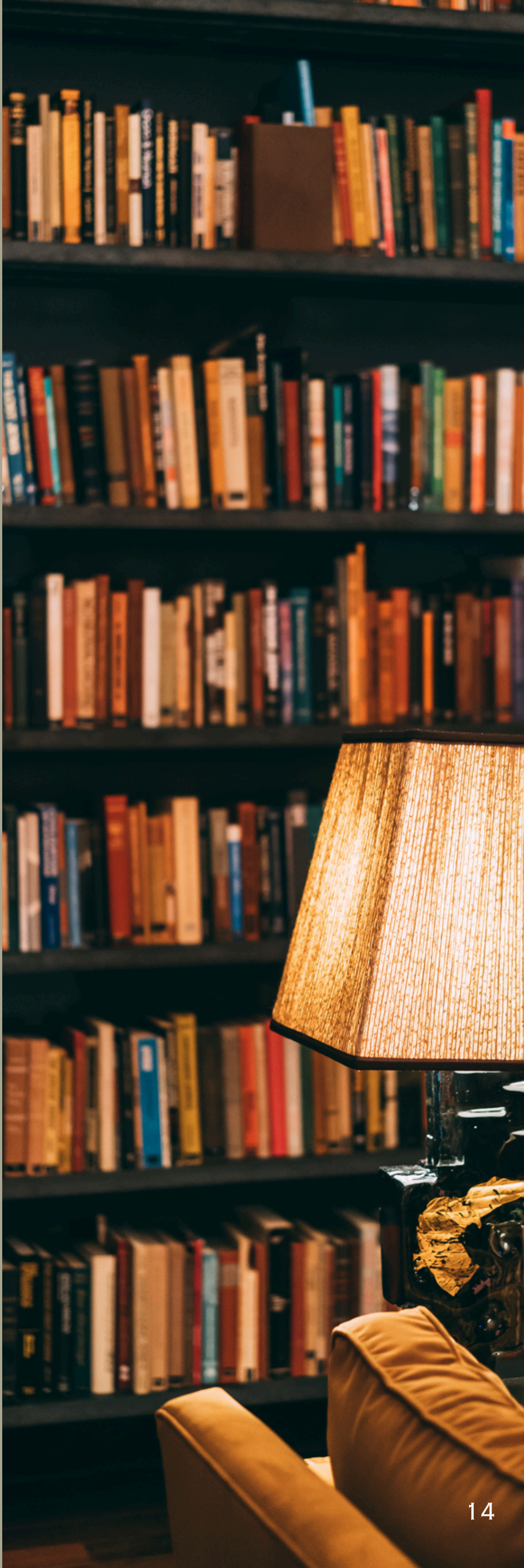
3. Title Insurance: Protects lenders and buyers against any issues with the property's title.

4. Escrow Fees: Covers the cost of managing and disbursing funds during the closing process.

5. Property Taxes and Insurance: Prepaid amounts for property taxes and homeowners insurance.

6. Attorney Fees: If applicable, legal fees for reviewing documents and overseeing the closing process.

7. Recording Fees: Charges for recording the new deed and mortgage with the local government.



HOW MUCH ARE *closing costs?*

Closing costs, which typically average 3–5% of the loan amount, vary depending on the loan amount, mortgage type, and area in which you're buying or refinancing.

Prepaid Interest $0- $2,500+	**Appraisal** $600-$900
Processing Fee $995-$1,345	**Title search & Insurance** $300-$2,500+
Underwriting Fee $900-$1,400	**Escrow Fees** 1-2% of loan amount

Note: other miscellaneous fees may apply and will vary depending on your specific loan.

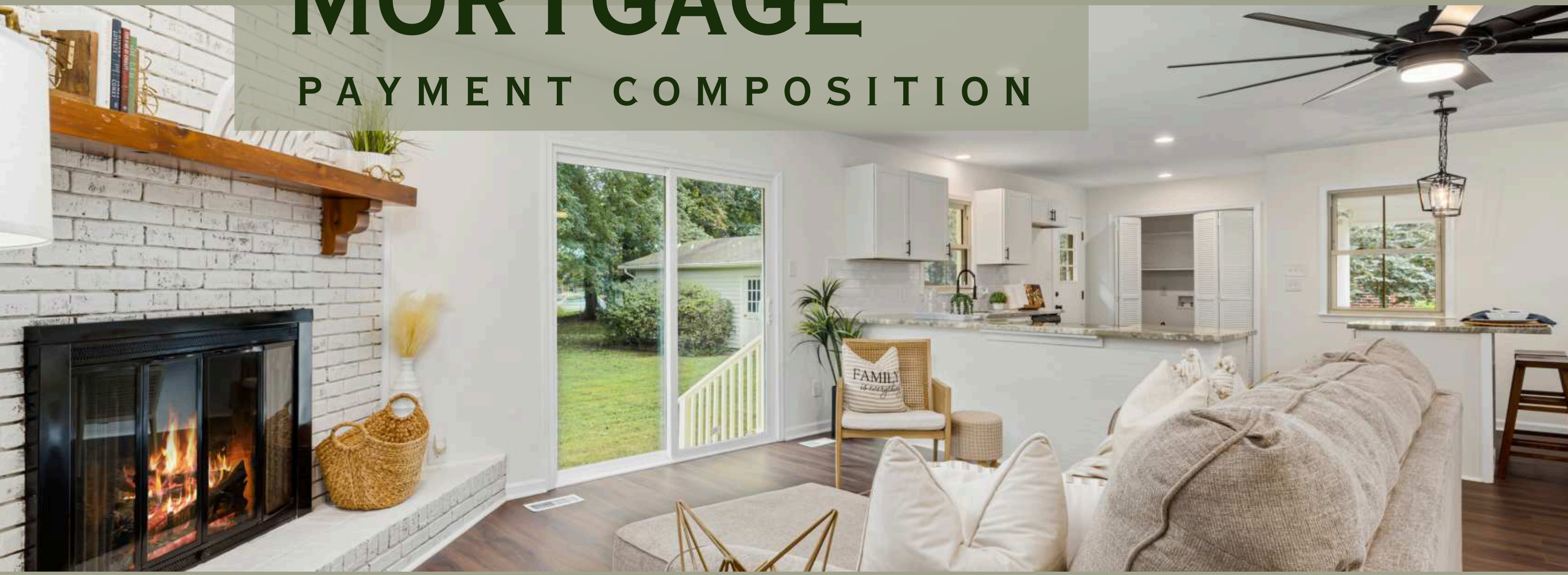
FINANCIAL TIMELINE

what costs to expect & when to expect them

EARNEST MONEY DEPOSIT (EMD)	DUE IMMEDIATELY UPON ACCEPTED OFFER	MINIMUM $500 TYPICALLY 1% OF PURCHASE PRICE
INSPECTIONS	TYPICALLY DUE WITHIN 1 WEEK OF ACCEPTED OFFER	$300 - $750 FOR HOME INSPECTION - ADDITIONAL COSTS APPLY FOR ADDITIONAL INSPECTIONS
APPRAISAL	DUE IMMEDIATELY UPON APPRAISAL ORDER - TYPICALLY AFTER HOME INSPECTION	$600 - $900
CLOSING COSTS & DOWNPAYMENT	DUE ON CLOSING DAY	CLOSING COSTS ARE TYPICALLY 3% - 5% OF PURCHASE PRICE DOWNPAYMENT WILL VARY BY LOAN TYPE
FIRST MORTGAGE PAYMENT	TYPICALLY DUE ON THE 1ST DAY OF THE 2ND MONTH AFTER CLOSING DAY	

MORTGAGE

PAYMENT COMPOSITION



When you make a mortgage payment you're actually paying for a number of things, not just a small percentage of the total amount that you owe on the loan. There are a number of other components that make up this amount that your payment goes towards every month.

PRINCIPAL

The principal portion of your mortgage payment is the amount that goes towards paying down the balance of your loan, helping you build equity over time.

PROPERTY TAXES & INSURANCE

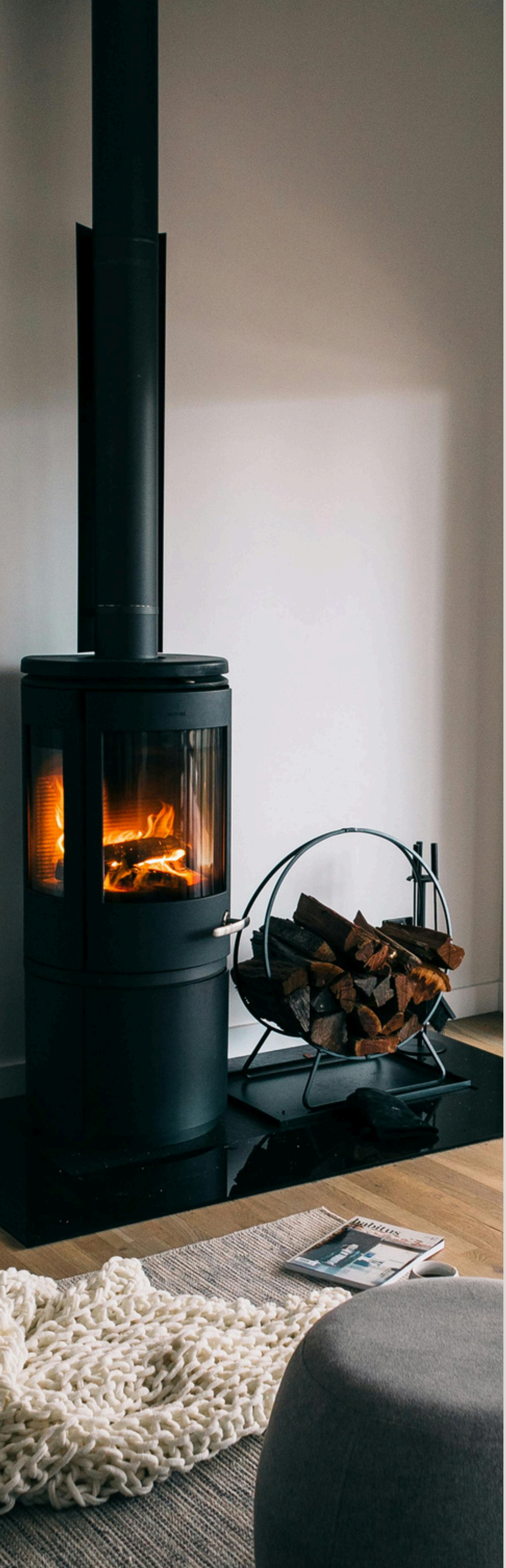
Property taxes are taxes assessed by local governments based on the assessed value of your property. These taxes and your homeowners insurance payment will vary by location and are both typically collected by your lender as part of your monthly mortgage payment. Your lender holds these funds in an escrow account and pays your property taxes on your behalf when they are due.

INTEREST

Interest is the cost of borrowing money from your lender and is typically expressed as an annual percentage rate (APR). The interest portion of your mortgage payment is calculated based on the remaining balance of your loan.

PRIVATE MORTGAGE INSURANCE

If you made a down payment of less than 20% on your home purchase, you may be required to pay for private mortgage insurance (PMI). PMI protects the lender in case you default on your loan and can add to your monthly mortgage payment until you reach a certain threshold of equity.



mortgage vocab

INTEREST RATES

An interest rate is the cost of borrowing money from a lender, expressed as a percentage of the loan amount. The rate you receive on your mortgage can significantly impact your monthly payments and the total amount you'll repay over the life of the loan.

ADJUSTABLE RATE MORTGAGE (ARM)

These loans are an alternative to traditional fixed-rate mortgages and featuring interest rates that can adjust periodically based on market conditions. Typically, ARMs start with an initial fixed-rate period, often ranging from 5 to 10 years, during which the interest rate remains stable. After this initial period, the interest rate can adjust annually or semi-annually based on a predetermined index and margin.

FIXED-RATE MORTGAGE

With a fixed-rate mortgage, the interest rate remains constant throughout the entire term of the loan, providing borrowers with the assurance of consistent monthly payments.

Mortgage vocab
CONTINUED

ANNUAL PERCENTAGE RATE (APR)

APR is your interest rate stated as a yearly rate. Your Annual Percentage Rate is typically higher than your interest rate because it includes fees, such as lender and mortgage broker fees.

MORTGAGE POINTS

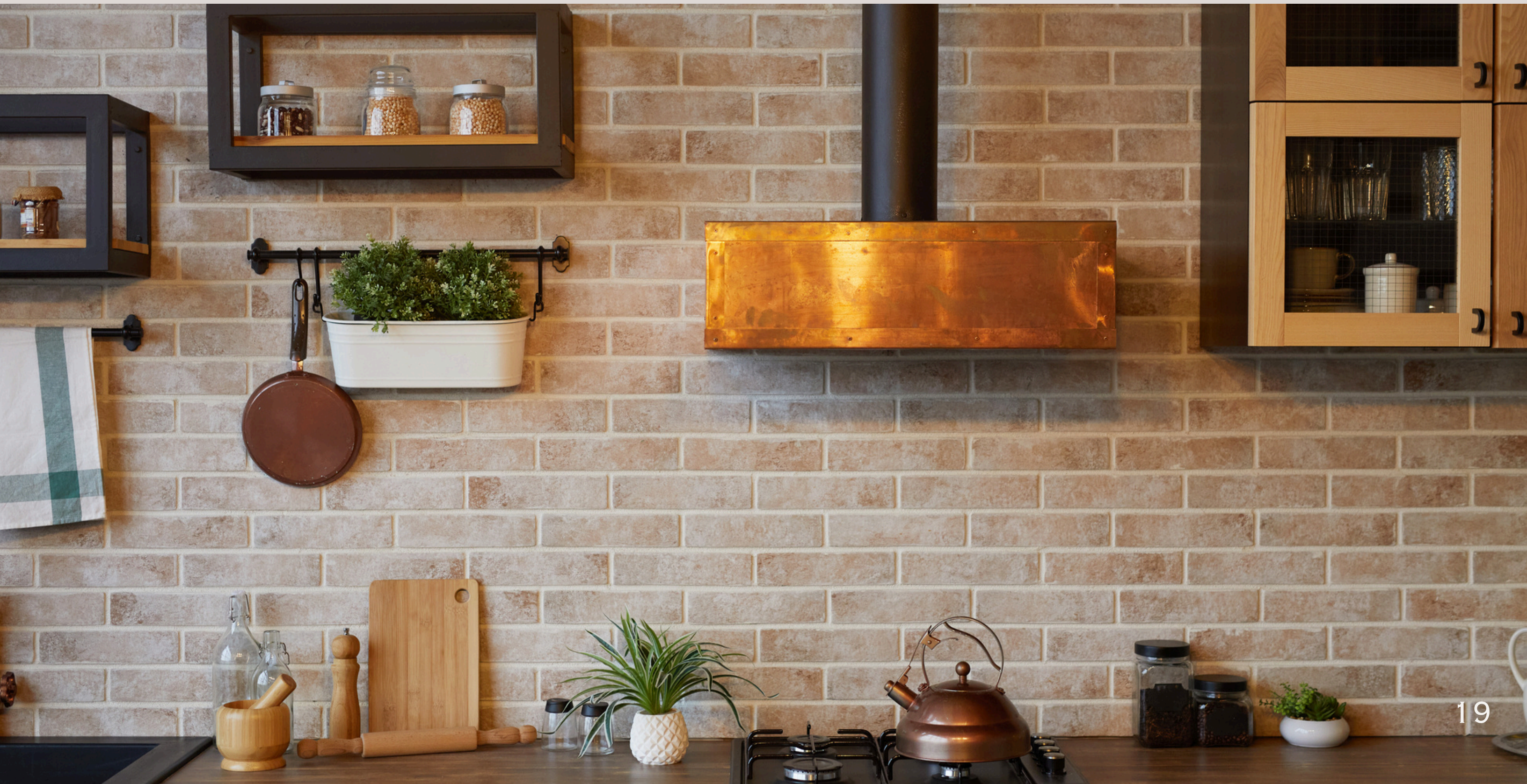
Also known as discount points, these are fees paid to the lender at closing in exchange for a reduced interest rate. One point costs 1 percent of your mortgage amount (or $1,000 for every $100,000). often referred to as "buying down the rate."

AMORTIZATION

This is when you make periodic payments of both principal and interest to pay off a debt. With a fully amortizing mortgage, your principal and interest payment amounts will stay the same over the course of the loan.

CONFORMING LOAN

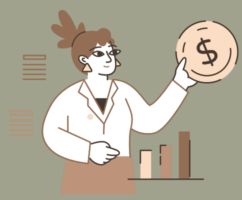
This is a mortgage that meets or “conforms” to certain guidelines, such as debt-to-income limits and documentation requirements, set forth by Fannie Mae and Freddie Mac (private companies created by the federal government). The loan limit for a conforming loan is $832,750 for most areas of the country. Mortgage loan amounts over that limit are generally considered jumbo loans.



down payment myths

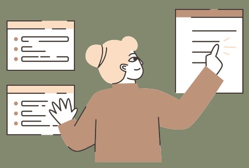
Myth: You Need 20% Down.

- Truth: Many loan programs require much less. FHA loans need as little as 3.5%, while some conventional loans only require 3%. VA and USDA loans even allow for zero down payments!



Myth: Down Payments Must Come from Savings.

- Truth: You can use gifts from family members, grants, or down payment assistance programs to help fund your purchase.



Myth: You Can't Buy Until You Save More.

- Truth: The cost of waiting could be higher. Rising home prices and interest rates might increase your monthly payment more than saving for a larger down payment would save you.

How Much Should You Save?

While putting more down can lower your monthly payment and eliminate private mortgage insurance (PMI), it's okay to start small with a loan program tailored to your budget.

Let's explore low down payment options and find the best path to homeownership for you!

10 Commandments

OF HOME-BUYING

THOU SHALT NOT CHANGE JOBS, BECOME SELF-EMPLOYED OR QUIT YOUR JOB.

THOU SHALT NOT BUY A CAR, TRUCK, VAN, BOAT OR ANYTHING ON CREDIT.

THOU SHALT NOT USE CHARGE CARDS EXCESSIVELY OR LET YOUR ACCOUNTS FALL BEHIND.

THOU SHALT NOT SPEND MONEY YOU HAVE SET ASIDE FOR CLOSING.

THOU SHALT NOT CLOSE ANY ACCOUNTS, DEBTS OR LIABILITIES.

THOU SHALT NOT BUY FURNITURE ON CREDIT.

THOU SHALT NOT APPLY FOR ANYTHING THAT REQUIRES INQUIRIES INTO YOUR CREDIT.

THOU SHALT NOT MAKE LARGE NON-PAYROLL DEPOSITS OR TRANSFER MONEY INTO ANY BANK ACCOUNT.

THOU SHALT NOT CHANGE BANK ACCOUNTS.

THOU SHALT NOT CO-SIGN A LOAN FOR ANYONE.

PLEASE CONSULT WITH ME BEFORE CONSIDERING ANY OF THE ABOVE ACTIONS.

Mistakes to Avoid

01. SKIPPING PRE-APPROVAL

Pre-approval gives you a clear budget and makes your offer more competitive. Without it, sellers will not take your offer seriously.

02. MAKING MAJOR PURCHASES

Avoid buying a car, furniture, or taking out new credit cards before closing. These actions will affect your credit and debt-to-income ratio, jeopardizing your loan approval.

03. JOB CHANGES

Stability is key during the loan process. Changing jobs or careers can cause delays or even disqualify you from your mortgage.

04. NOT BUDGETING FOR CLOSING COSTS

Closing costs typically range from 3-5% of the home's purchase price. I'll help you estimate these costs upfront to avoid surprises.

05. OVERLOOKING ADDITIONAL EXPENSES

Don't forget about property taxes, homeowners insurance, and maintenance when calculating your budget.

06. WAIVING INSPECTIONS

While it might make your offer more attractive, skipping a home inspection can lead to costly surprises down the road.

LET'S WORK *together*

THERE'S A LOT OF MOVING PARTS WHEN IT COMES TO BUYING A HOME AND SECURING FINANCING, BUT I'M ALWAYS HERE TO ANSWER QUESTIONS AND MAKE THE PROCESS AS SMOOTH AS POSSIBLE. I'D LOVE TO HELP YOU ON YOUR HOME BUYING JOURNEY - LET'S WORK TOGETHER!

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