Mortgage Guide

THE PROCESS OF GETTING APPROVED

By

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Content

KNOW YOUR
Mortgage Broker

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My name is Crystal Trammell and I'm proud to be a REALTOR® and loan Loan Officer in beautiful Southern California.

Passionate about helping others, I obtained my Master’s Degree in Social Work with the aim of making an impact on peoples' lives and helping them achieve their life goals. As both a wife and mother to twin boys, I understand the importance of finding the perfect home that brings my clients' peace and tranquility. My goal as their real estate professional is to educate, facilitate, advocate, and guide my clients through any real estate experience they may have – whether it's buying, selling or investing. With over ten years of customer service experience under my belt, I am confident you will love working with me and find comfort in knowing your real estate needs are taken care of!

MORTGAGE PROCESS

One of the most important steps in the home buying process is obtaining a mortgage. Below are the nine distinct phases of the mortgage process.

1. APPLY

Apply with a loan officer to get pre-approved

2. ISSUE

A pre-qualification letter is issued

3. FIND

Find a property and get iit under contract

4. ORDER

Appraisal is ordered. Completed and returned

5. PROCESS

Process and prepare the file for underwriting

6. UNDERWRITE

Underwrite to formally approve or deny the loan

7. SATIFY

Satisfy any conditions assigned by the underwriter

8. CLEAR

Clear the file and approve for closing

9. CLOSE

Sign documents to officially close on your new home

TYPES OF LOANS

CONVENTIONAL

Conventional loans are mortgages that are not insured or guaranteed by the federal government. They are typically fixed-rate mortgages.

USDA

The U.S. Department of Agriculture (USDA) home loans program offers mortgages to low-income residents of rural areas who cannot otherwise obtain a conventional mortgage.

FHA

An FHA loan has lower down payment requirements and is easier to qualify for than a conventional loan. FHA loans are excellent for first-time homebuyers because, in addition to lower up-front loan costs and less stringent credit requirements, you can make a down payment as low as 3.5%.

VA

Offered as a benefit for active and retired US military, VA loans are guaranteed by the US Department of Veteran Affairs, making them easier to qualify for as long as your military service (or your spouse’s) meets the requirements.

MORTGAGE BREAKDOWN

PRINCIPAL

The principal is the repayment of your loan amount. This is the portion of the payment that is used to reduce the balance you owe. It may be obvious, but the larger the balance, the higher the mortgage payment.

INTEREST

Lenders charge interest on a mortgage as a cost of lending you money. Your mortgage interest rate determines the amount of interest you pay, along with the principal, or loan balance, for the term of your mortgage. Mortgage interest rates determine your monthly payments over the life of the loan.

TAXES

Whenever you obtain a mortgage, state and local governments enforce a mortgage recording tax to document the loan transaction. This fee is separate from mortgage interest and other annual property taxes. Since it is state imposed, the mortgage recording tax must be paid to the government when you register a mortgage.

INSURANCE

Mortgage insurance lowers the risk to the lender of making a loan to you, so you can qualify for a loan that you might not otherwise be able to get. Typically, borrowers making a down payment of less than 20% of the purchase price of the home will need to pay for mortgage insurance.

WHAT ABOUT INTEREST RATES?

Interest rates are a hot topic when you're looking to buy a home. Did you know that on any given day, many different things can impact interest rates?

Here are the main variables that can affect your rate:

1. **Home price and loan amount: Your** home price minus your down payment will determine how much you'll borrow which helps pin down how much the interest rate will be.

2. **Down payment:** Generally, a higher percentage down payment equals a lower interest rate. The more money you put down, the more stake you have in the property.

3. **Loan term:** Shorter terms (like a 15-year or a 20-year) generally have lower interest rates than a 30-year term.

4. **Interest rate type:** Interest rates come in two basic types: fixed and adjustable. Fixed rates do not change over time. Adjustable rate mortgages (ARMs), on the other hand, have an initial fixed period then go up or down based on the market. For example, a 5-year ARM loan will have a fixed rate for the first 5 years and then the rate will fluctuate from the 6th year onward.

5. **Loan type:** Different categories of loans have different rates.

6. **Credit score:** Primarily based on credit report information usually from credit bureaus. Typically, this is called your FICO score and is based upon your credit history.

LET'S COMPARE

If you're one of the many people looking to purchase a home this year, it's important to know your loan options and understand what's best for your situation.

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 life of the loan	500
VA	None	15-30 Years	None	** Not a huge factor
USDA	None	15-30 Years	None	640

COSTS TO CONSIDER

EARNEST MONEY

Earnest Money is a deposit made to a seller that represents a buyer's good faith to buy a home. The money gives the buyer extra time to get financing and conduct the title search, property appraisal, and inspections before closing. The cost is typically 1-2% of purchase price.

DOWN PAYMENT

Your minimum down payment depends on the type of mortgage, the lender and your finances. A 10% down payment on a $350,000 home would be $35,000. When applying for a mortgage to buy a house, the down payment is your contribution towards the purchase and represents your initial ownership stake in the home. The lender provides the rest of the money to buy the property

CLOSING COSTS

Closings costs are fees and expenses you pay when you close on your house, beyond the down payment. These costs can run 3 to 5 percent of the loan amount and may include title insurance, attorney fees, appraisals, taxes and more.

PREQUALIFACTION

Mortgage pre-qualification is an informal evaluation of your creditworthiness and how much you can afford. Pre-qualification indicates whether you meet the minimum requirements for a loan and how big the loan may be. Pre-qualification is an important step for those who aren't sure whether they are financially ready for homeownership.

WHAT IS NEEDED?

INCOME

All you need for pre-qualification in an estimated income amount. Pay stubs are not required.

CREDIT CHECK

Your credit report can provide insight into the types of borrower you are and how well you handle different types of debt

BANK ACCOUNTS

Basic information about bank accounts is needed. Access to your bank account is not.

DESIRED AMOUNT

Please have a desired down payment amount and a desired price range in mind when sitting down to get pre-qualified

WHICH IS RIGHT FOR YOU?

First-time homebuyers are more likely to find that getting prequalified is helpful, especially when they are establishing their home buying budget and want an idea of how much they might be able to borrow.

BENEFITS

You can start house hunting knowing how much you might be able to borrow

PROCESS

Provide basic information to a lender and quickly get a pre-qualification amount

DOCUMENTATION

Answer questions for this process, plus a credit check.

PREAPPROVAL

Being Pre-approved is as close as you can get to confirming your credit worthiness without having a purchase contract in place. You will complete a mortgage application and the lender will verify the information you provide. They'll also perform a credit check. If you are pre-approved, you'll receive a pre-approval letter, which is an offer to lend you a specific amount, good for 90 days.

WHAT IS NEEDED?

PAY STUBS

Your most recent pay stubs help verify your monthly income and show proof of employment, that you have a stable job.

CREDIT CHECK

Your credit report can provide insight into the types of borrower you are and how well you handle different types of debt

STATEMENTS

Bank statements are required for obtaining pre-approval because they help verify your income and show that you can afford your down payment.

TAXES

Certain tax documents, including your two most recent W-2 forms, are also among the documents needed for mortgage pre-approval.

WHICH IS RIGHT FOR YOU?

Pre-approval can be extremely valuable when it comes time to make an offer on a house, especially in a competitive market where you might want to stand out, among other potential buyers as the seller would take you more seriously.

BENEFITS

You'll be ready to make an offer with confidence and gain a competitive advantage

PROCESS

After submitting documentation to a lender, you should receive a decision within 10 business days

DOCUMENTATION

Provide proof of financial details, plus a credit check.

ACTIONABLE STEPS

Applying for a mortgage is never simple, but it's even trickier when you don't know what to expect. If you're preparing to buy a house for the first time, you can make the process easier on yourself by learning as much as you can ahead of time, before you've found your dream house. Knowing what to expect allows you to plan ahead and improve your chances of getting a mortgage with favorable terms.

KNOW YOUR BUDGET

If you want to qualify for a mortgage on your first try, it's important to know how big of a loan you can reasonably afford. Lenders figure this out by looking, at your debt-to-income ratio (DTI): the percentage of your income that you're spending each month to pay your debts, among other things.

IMPROVE YOUR DEBT-TO-INCOME RATIO

When applying for a pre-qualification, if you are told that you won't qualify for a big enough loan to afford a house in your area, you can take steps to improve your DTI before you start house shopping. There are two ways to do this increase Your income. Youll qualify for a bigger home loan if you make more money. Start thinking about how you can
get a promotion, move to a higher-paying job, work more hours at your current job, or start an income-generating side business.Reduce Your Debt. Making more money isn't always an option, For most people, it's easier to improve their DII by paying down other debts, such as credit cards, student loans, or auto loans.

SAVE UP FOR A DOWN PAYMENT

If you have no other debis to pay off and you can't increase your income, your best option is to shrink the size of the home loan you need. The easiest way to do this is to save up a bigger down payment. As a bonus, if you can manage a down payment of at least 20 percent, you won't need private mortgage insurance, which will lower your monthly Payment.

BOOST YOUR CREDIT SCORE

When you apply for a mortgage, having a good credit score is a huge advantage. It will allow you to qualify for a better interest rate, saving you thousands of dollars over the life of your loan.

KNOW YOUR LOAN OPTIONS

Before you start shopping for a mortgage, learn about the different loan options available to you and what they have to offer. Here are a few things to look into:
• *The difference between fixed-rate and adjustable-rate*
- *FHA and VA home loans*
- *Special programs for first-time homebuyers in your state*
- *Factors that affect your interest rate, like loan term and points*
- *Types of fees you may need to pay on a home loan*

FIND THE RIGHT LENDER

Once you know what you want in a home loan, it's time to start looking for a lender. There are three important things to look for in a mortgage lender:A good understanding of the mortgage business. The lender should know all about the different loan options you researched above, as well as any special rules that apply in your local area.A good overall reputation.A good deal. This means more than just the interest rate - look at the combination of interest rate, points, and other fees to see which lender can give you the most bang for your buck.

GET YOUR PAPERWORK IN ORDER

Once you've found the right loan and the right lender, the last thing to do is gather together the documents you'll need to apply for a mortgage. For starters, most lenders will expect to see your pay stubs from the past month, your tax returns from the past year, and a few months' worth of bank statements. Other important documents include credit card and loan statements and proof of your assets, such as retirement funds and other investments

MORTGAGE FAQ

I just got a new job. How does this impact getting a mortgage?

- Most loan programs are looking for a two-year job history in the same field — though changing jobs to move to a better position could be seen as favourable.
- For recent college grads, you may still be able to get a home loan without a two-year work history.

Can I "lock in" my interest rate?

- Yes! Get in touch with your loan officer, and they can lock in the interest rate you were quoted.
- You'll be provided with a written Rate and Price Determination Agreement, detailing interest rate, loan terms, and time period for the rate lock.

What should I bring to closing?

- At closing, which normally takes place at the title company, you and any other borrower listed on your mortgage agreement will need to bring in a valid driver's license.
- Any funds required at closing must be brought as a wire transfer or cashier's check made out to the title company.

When will I get my money?

- You'll have access to your funds on the day you close on your loan — when you've officially bought a house.

Can I still get a mortgage if I have bad credit or have filed bankruptcy?

- Having good credit helps to get a more competitive mortgage interest rate, but perfect credit isn't required.
- If you have a low credit score or have filed bankruptcy in the past, you can work toward improving your credit.

IMPORTANT TERMS

APPRAISAL

Home appraisal means the valuation of the home by the appraiser. A home appraisal is done during the buying and selling process to determine the exact and actual market price of the property.

APR

APR is the annual cost of a loan to a borrower — including fees. Like an interest rate, the APR is expressed as a percentage.

PRINCIPAL

The principal is the amount of money you borrow when you originally take out your home loan. To calculate your mortgage principal, simply subtract your down payment from your home's final selling price.

TERM

The mortgage term is the length of time your mortgage contract is in effect. This includes everything your mortgage contract outlines, including the interest rate. Terms can range from just a few months to five years or longer.

PREAPPROVAL

Being pre-approved means you've actually been approved by a lender for a specific loan amount. When pre-approved, you will receive a letter that states your approved loan amount.

DOWN PAYMENT

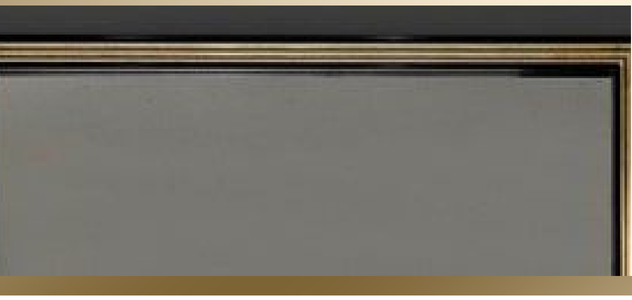
A down payment is a sum of money that a buyer pays in the early stages of purchasing an expensive good or service. The down payment represents a portion of the total purchase price, and the buyer will often take out a loan to finance the remainder.

TITLE

Documents that prove the buyer's ownership over a specific immovable property are known by various names. While it is sometimes called the sale deed, it is also often referred to as the title deed.

ESCROW

Escrow is a legal concept describing a financial agreement whereby an asset or money is held by a third party on behalf of two other parties that are in the process of completing a transaction.



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