



# BUYERS GUIDE TO MORTGAGES



# KNOW WHAT YOU CAN AFFORD.

The home-buying experience is an exciting one and I want to ensure you are on the right track to purchasing the home of your dreams.

## Why Get Pre-Qualified?

Before you start looking at homes, it's important to work with me to get you pre-qualified, which will let you know how much home you can afford.

This can:

- Help you narrow your home search to homes within your budget
- Give you an idea of how much you'll need for a down payment
- Help you identify budgeting goals to work toward.

*Let's find the  
right loan for you!*

[www.cbchomeloans.com](http://www.cbchomeloans.com)

## How Do I Determine Your Loan Amount?

To determine the loan amount you can qualify for, I will look at your credit, income, assets and debts.

We will also look at two important ratios:

### Loan-to-Value (LTV)

LTV expresses how much you're borrowing compared to the value of the home. A lower LTV is more favorable because it represents less risk to the lender.

$$\frac{\text{Amount Borrowed}}{\text{Appraised Value of Property}} = \text{LTV}$$

You can lower your LTV by increasing your down payment.

### Debt-to-Income (DTI)

DTI is the percentage of your income that goes toward paying your monthly debts, and it helps lenders decide how much you can borrow.

$$\frac{\text{Total Recurring Monthly Debt}}{\text{Gross Monthly Income}} = \text{DTI}$$

The lower your DTI, the better your chances are for qualifying for a loan.

## Credit Scores

**Credit scores affect your ability to qualify for a loan, the terms of your insurance and whether you get a new job.**

### FICO Score & the Credit Bureaus

#### Equifax, Experian and TransUnion:

The three national credit bureaus. Your score will vary from agency to agency, as each keeps its own records and ranks scores slightly different.

All three use the FICO credit score to gauge creditworthiness. Remember, each agency has its own database so the score can vary. When it comes to home loans, lenders typically will use the median of the three scores.



**Credit Score Ranges**  
**300-850**

### Why Credit Scores Matter

The purpose of a credit score is to provide lenders (and others) with an idea of how likely their clients are to repay the loan. A good credit score will indicate to a lender that the client is a safe bet and make it much more likely to qualify. It also indicates the clients are managing their debt obligations.

A low score can make it difficult to secure a line of credit. While a score of 620 is often the lowest a lender will accept, there may be alternatives to help get your clients approved.

### TIP!

Did you know you can acquire a **FREE ANNUAL CREDIT REPORT** from all three credit bureaus so we can review them for errors or misinformation.

Knowing where your credit stands can help us determine when they are ready to buy a new home.

### How FICO Determines A Score

**Credit History: 35%.** This is comprised of late payments and past due amounts, bankruptcies, defaults and on-time payments.

**Credit Use: 30%.** FICO looks at how many accounts are open in your name and your unpaid balances.

**Age of Credit Accounts: 15%.** How long accounts have been open and the record of paying on time will impact the score.

**Types of Credit: 10%.** Managing several different types of loans well - such as installment loans (car loans), revolving credit (credit cards), and mortgage loans - can impact a FICO score positively.

**New Accounts: 10%.** While opening and using new accounts impacts a score, multiple inquiries from businesses of the same type in a short period (such as when you shop for a car loan) do not.



## *Choosing the mortgage that's right for you!*

You have a wide variety of options available to you for your financing needs.

Different loans have different conditions and terms, and I will work with you to review your options to ensure you are making a well-informed choice.

*Let's find the  
right loan for you!*

[www.cbchomeloans.com](http://www.cbchomeloans.com)



### Common Types Of Loans

#### FIXED RATE:

Interest rate is fixed throughout the life of the loan. A better choice if you want stable payments and plan to live in your home long-term.

#### ADJUSTABLE RATE (ARM):

The interest rate fluctuates over time, affecting your monthly payment. A good option if you only plan to live in your home for a few years.

### Loan Types

#### CONVENTIONAL LOANS:

The lender assumes the risk for lending you money. As a result, these have more stringent credit requirements and higher down payment requirements.

#### GOVERNMENT-SPONSORED LOANS:

The government backs the loan, or assumes the risk for lending you money. These typically have lower credit and down payment requirements to make it easier for you to obtain a mortgage, if you qualify.

FHA: Purchase a home with as little as 3.5% down.

VA: Provides 100% financing to eligible veterans, active duty members, reservists, National Guard members, and surviving spouses.

USDA: Requires no money down for eligible homes in rural areas.

## The Mortgage Process

### What NOT to do during the Loan Process

<b>X</b>	<b>Don't apply for credit</b> (Such as a new credit card, car loan, or financing for furniture or appliances)
<b>X</b>	<b>Don't make major purchases</b>
<b>X</b>	<b>Don't liquidate funds</b>
<b>X</b>	<b>Don't make large deposits</b>
<b>X</b>	<b>Don't switch jobs</b>

*Let's find the  
right loan for you!*

[www.cbchomeloans.com](http://www.cbchomeloans.com)

#### Loan Estimate:

Within three days of submitting your application, we will provide you with a Loan Estimate, a form that details the loan for which you've applied. This is a summary of what your loan will look like if you decide to move forward.

#### Processing:

Once you decide to continue, the application goes to the processor, who checks that all the necessary paperwork is present. An appraisal is also ordered on your prospective property.

#### Appraisal:

At this stage, a licensed third party will evaluate the property to ensure it's worth the sales price. The appraiser will look at the home's condition, age, and size, and will compare the property to other home sales in the neighborhood and consider the replacement cost of the property.

#### Underwriting:

Once the processor has compiled a complete loan file (i.e., the application and all supporting documents), the underwriter reviews the application in detail to make the final decision to approve or deny your mortgage loan. This includes reviewing your employment history, credit history, and the appraisal report. The underwriter also ensures your mortgage meets current loan product guidelines. You may be asked to provide additional documentation, which is not unusual.

#### Approval:

Once your application is approved, you'll receive a loan commitment letter, which outlines the details of your loan, including the amount being borrowed, the interest rate, and the term or repayment period.

After you've received your loan commitment, the next step in the process is closing on your home!

## *The Cost of Purchasing a Home*

### The Mortgage Payment

Your monthly mortgage payment consists of:

**Principal:** The actual amount you are borrowing.

**Interest:** What it costs to borrow the money for your home.

**Escrow:** A third party account used to pay for taxes and insurance on your behalf.

*Let's find the  
right loan for you!*

[www.cbchomeloans.com](http://www.cbchomeloans.com)

### Down Payment and Earnest Money

Before you even buy the home, you'll need cash for your earnest money and down payment. You may have heard the myth that you need a 20% down payment to buy a home, but there are actually loan programs available that require as little as 3.5% — or even 0% down for those who qualify. Contact me to learn more.

### Closing Costs

Closing costs are a one-time payment due when you close your loan. Everyone's closing costs vary slightly, but below are a few examples of what might be included.

- Appraisal Fee
- Recording Fees
- Discount Points
- Origination Fee
- Title Service Fees
- Transfer Taxes

You can negotiate with the seller to pay some or all of your closing costs. If the seller won't pay and you can't afford these costs, talk to me about rolling them into your loan.



## ***WE WANT TO HELP MAKE LOAN PROCESS EASY!***

- DO respond to my requests in a timely manner to avoid delays in the process.
- DO keep all existing credit card accounts open.
- DO use your credit as your normally would. You don't want to appear you are diverting from your normal spending patterns, it could cause your credit score to go down.
- DO maintain your employment at your current job.
- DO pay off collections, judgments, or tax liens reported within the last year.
- DO stay current on your existing accounts.
- DO call me! I am here to help you through the loan process!



## Home Loan Document Checklist

Before you get to the fun part of buying a new home (home-shopping!), we have to review your finances to determine what loan options you qualify for and which is the best choice for you.

To help you gather everything together, here is a handy checklist of the documents you'll need to bring in, fax, or email to me as we begin to process your application. We may not need all of these items, and it's possible we'll ask you for additional documents as we move forward.

### Income and Identity Verification

	Pay Stubs for the last 30 days
	W-2 forms for the last 2 years
	Current driver's license, state ID or passport
	Child support/alimony friend of the court printout or 12 months of canceled checks
	Award letters for Social Security
	1099 for disability income
	Income from rent, commission, interest, or sources other than salary may trigger the need to provide tax returns

### Sources of Funds/ Down Payment

	Bank statements for the last 3 months including savings, checking and investment accounts
	Stock and securities account statements for the last three months
	Closing Disclosure if using funds from the sale of property
	Sale of assets: Proof of ownership and proof of funds transfer
	For gift of funds: A gift letter, evidence of transfer, and sometimes evidence of withdrawal

### If You Are Self-Employed

	Signed, completed tax returns for the past two years, including personal, partnership, and corporate if applicable; please include all schedules
	Business profit and loss statement year-to-date for current year, if more than three months have passed since the end of the tax year

*Let's find the  
right loan for you!*

[www.cbchomeloans.com](http://www.cbchomeloans.com)



# *Let's Find The Right Loan For You!*

Contact us today to start your pre-qualification.

[www.CBCHomeLoans.com](http://www.CBCHomeLoans.com)

