



3 Easy Steps to Homeownership

GETTING STARTED

Being pre-qualified for a mortgage increases your buying power. Find out why these 3 steps can make the difference!



FIRST SAVINGS
MORTGAGE

We proudly participate in VHDA, DC Open Doors, Maryland Mortgage Purchase Program



Step 1: Know Your Options

BEFORE YOU SHOP FOR A HOME

As your lender, we will help you through the different scenarios by asking a few simple questions. Based on standard lending guidelines, we will best determine what kind of terms and loan programs you can expect to be most beneficial for you.

1. How much am I comfortable spending on a monthly basis?
2. How much money have I saved for a down payment?
3. How long do I see myself living in the new home?
4. What type of loan best suits my needs?

Step 1 involves you exploring a few items such as:

- How much of a monthly mortgage payment can you afford?
- How much a lender will loan to you?
- Are you eligible for a First Time Homebuyer's Program?

By asking a few simple questions, we will give you a good idea of how much home you can actually afford and what kind of terms and loan process you can expect.



Step 2: Qualifying for a Mortgage

PART 1: WHAT FACTORS GO INTO DETERMINING MY MORTGAGE

We ask a lot of questions because we want to help you get the right loan option. By working with us before deciding on a home, you will know whether you will qualify for a mortgage large enough to finance your dream home.

- **How does my credit score affect my mortgage options?**
 - Once you apply, we will give you a copy of your credit report. Check for mistakes or items that were maybe reported in error.
- **What is my credit score?**

Credit Score Range



- **What does my credit score affect?**
 - Down Payment Requirement
 - Interest Rate
 - Private Mortgage Insurance (PMI)
 - Type of Loan
 - FHA, VA, Conventional, Jumbo etc.



Step 2: Qualifying for a Mortgage

PART 2: WHAT FACTORS GO INTO DETERMINING MY MORTGAGE

To determine if you qualify for a loan, we will consider:

- Your credit history
- Your monthly income— pretax
- Your monthly expenses
- How much cash you have accumulated for a down payment
- Cash Reserves

So how much house can you afford? To know that, you need to understand a simple concept called debt-to-income (DTI) ratios.

By dividing all of your monthly liabilities by your gross monthly income, we come up with a percentage. This figure is known as your DTI, and must fall under a certain

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



Step 3: Get Pre-qualified

ONCE YOU ARE PRE-QUALIFIED , WE WILL BE ABLE TO DETERMINE WHICH HOMES ARE IN YOUR PRICE RANGE

When we have obtained your permission to pull your credit report we will ask you to supply information about your employment, assets, current residence history and other pertinent items. As soon as this is complete we will begin the pre-qualification process.

Once the following information is reviewed, we will be able to determine the amount you can borrow and provide you with a Pre-Qualification Letter.

Documents Required to get the process started:

- W-2s for 2 years
- 2 years of tax returns
- Bank statements for the last 2 months (all accounts) with an explanation for any large deposits
- Most recent year to date pay stub reflecting a minimum of 30 days of income
- If self-employed, year to date profit and loss statement, plus signed tax returns for last 2 years
- Additional documents may be required

Remember, when the seller knows you are pre-qualified , it gives you real negotiating power. See how much you qualify for today!



Homebuying Tips

THE DO'S AND DON'TS

There are many things to keep in mind prior to seeking a mortgage. Below is a loan check list of Do's and Don'ts to help you avoid any glitches.

DO'S

- Keep concise records of all large deposits and transfers to/from your bank accounts since we are required to document it
- Continue making your rent or mortgage payments on time
- Stay current on all your existing credit cards and other accounts
- Keep working at your current employer
- Make sure your funds are in liquid form 7 days before settlement
- Call your loan officer if you have questions or want to change your finances in any way



DON'TS

- Take out a new loan or make any major purchases such as a car, furniture, etc. (if you really need to ask your loan officer first)
- Apply for new credit (even if your loan is approved)
- Open, close or consolidate any credit cards
- Transfer or increase your credit card balances
- Pay off any collections (ask your loan officer first)
- Change bank accounts

Mortgage Process

MORTGAGE DOCUMENTS EXPLAINED

Document	Who Provides It	When
Credit Report	Credit Agency via Lender	With application
Pre-Qualification letter	Lender	After lender reviews credit, income and assets
Sales Contract	You and Seller	When you agree to price and terms
Home Inspection	You via your Home Inspector	Usually with in 5 days form seller's acceptance of your offer
Mortgage Application	Lender	Start of home purchase
Loan Estimate	Lender	Within 3 business days of application submission
Intent to Proceed	Lender	Within 3 business days of application submission
Property Appraisal	From Appraiser	Usually within 7-14 days
Closing Disclosure	Lender	No later than 3 days before settlement
Title Insurance	Title company	At closing
Copy of Driver's License	You	At closing
Deed	Title Company	At closing
Mortgage Note	Lender	At closing
Proof of Home Insurance	You	10-15 days prior to closing
Survey	Title Company	At closing
Money to close	You	At closing

MORTGAGE LINGO

- **Adjustable Rate Mortgage (ARM)**— a type of mortgage in which the interest rate applied on the outstanding balance varies throughout the life of the loan. Normally, the initial interest rate is fixed for a period of time, after which it resets periodically, often every year.
- **Amortization**— the gradual reduction of debt over the term of the loan. It occurs through the repayment of principal
- **Annual Percentage Rate (APR)**— the yearly cost of a mortgage including interest and other expenses or charges such as private mortgage insurance and points expressed as a percentage
- **Appraisal**— a written estimate of a property's current market value
- **Closing Costs**— expenses over and above the cost of property, which can include items such as title insurance, appraisal, processing, underwriting and surveying fees
- **Closing Disclosure (CD)**— The new closing document that replaces the final TIL and the HUD-1. Lender must provide to consumer at least three (3) business days before closing.
- **Credit Score**— A credit score is a number that is used to predict how likely you are to pay back a loan on time.
- **Deed**— the legal document that transfers property from one owner to another
- **Down payment**— the amount of your home's purchase price you pay up front
- **Earnest money**— deposit made by a buyer toward the down payment to show good faith when the purchase agreement is signed
- **Equity**— the monetary difference between your mortgage balance and the actual market value of your home
- **Intent to Proceed**— The borrower must sign an Intent to Proceed. The receipt of this intent provides the lender the ability to collect payment for fees, other than a credit report fee, from the consumer
- **Loan Estimate (LE)**— The new initial disclosure that replaces the GFE and the TIL. Lender must deliver the LE to the consumer within three (3) business days of application and at least seven (7) business days before closing
- **Principal**— the balance (not counting interest) owed on a loan
- **Private Mortgage Insurance (PMI)**— Insurance to protect the lender in case the borrower defaults on the loan
- **Sales Contract**- signed by buyer and seller stating the terms and conditions under which a property will be sold
- **Settlement Attorney**- conducts the settlement at the end of the home buying process. Also responsible for the legal aspects of the transaction, such as title search and deed recording.
- **Term**— number of years you to pay back the loan
- **Title**— document that shows ownership of a property
- **Underwriting**— the process of determining the risks involved in a particular loan and establish suitable terms and conditions for the loan