



HOME BUYER GUIDE

How do I get started?


What is the timeline?

How do I get pre-
approved?

What documents are
required?

How are interest rates
determined?

The Home Buyer Guide provides you with helpful information to simplify the mortgage process and help you achieve your personal and financial goals.



BUYING A HOME

doesn't have to be
overwhelming

HERE'S WHAT YOU'LL FIND INSIDE

THE 5 Cs OF HOME BUYING

A quick reference guide to what lenders look for in home buyers

NEW HOME PROFILE

A worksheet to help you with your home search

HOME COMPARISON WORKSHEET

A tool to help you remember the features of each home you visit on your house hunt

REQUIRED DOCUMENTS LIST

A list of items to collect for your lender to make the pre-approval process smoother

SHOPPING AROUND

A guide to help you understand the steps to home ownership

HOME BUYING PROCESS

A quick reference guide to what lenders look for in home buyers

DOs AND DON'Ts

A list of common mistakes that could impact your approval status

We hope you find this information helpful. At the end of the Home Buyer Guide, you will find instructions on how to get started with the mortgage process.

THE 5 Cs of home buying

WHAT LENDERS LOOK AT

CASH

What is your net worth?

Can you handle the payments if your income is stopped for any reason?

Are you making a down payment? If yes, how much?

RULE OF THUMB

Have at least 3.5% of your purchase price to put down (actual down payment needed will vary depending on your loan program)

Should have 2 to 3 months of house payments in your checking or savings account after closing

COLLATERAL

What type of real estate are you buying? Condo, town home, single family, commercial, mixed-use, etc.

What is the current market value of the real estate, and how was this determined?

What is the structure's current condition and marketability in case of foreclosure?

CREDIT HISTORY

What is the likelihood that you will repay the loan in a timely manner?

What is your past payment history with other creditors?

Is there a reasonable explanation for any challenges in your past?

RULE OF THUMB

No late payments in the last 12 months

Multiple credit lines open with 24-month history

At least one credit line with a limit over \$1,000

CAPACITY TO PAY

Can you afford the new payment?

What is your likelihood of being able to continue to afford this new payment?

If you were to lose your current income stream, would you reasonably expect to replace that same income?

RULE OF THUMB

Two years in the same line of work

Limit total home and credit payments to 40-45% of monthly, before-tax income

CHANGE OF PAYMENT

How much is your monthly housing payment increasing?

Where is the extra money coming from?

Will this cause a hardship?

RULE OF THUMB

Monthly payment increase should be proportionate to income and savings history

Buying a home should not create problems paying for basic needs such as groceries, utilities, gas, clothing, etc.



THE 5 Cs of home buying

HOW MUCH CAN YOU AFFORD TO PAY MONTHLY?

- A. **Total Pre-Tax Monthly Household**
Income (that can be documented) A. \$ _____
- B. **Total Monthly Household Income x 45% (.45)** B. \$ _____
- C. **Total Monthly Debt Payments**
(Cars, Credit Cards, Student Loans) C. \$ _____
- D. **Calculate: B - C = D**
Maximum Monthly House Payment
includes property tax and insurances D. \$ _____

Our experienced mortgage loan officers will help you evaluate your options, determine if there is a solution to any challenges, and assist you as you prepare for the home ownership process.

**Avoid falling in
love with a home
you can't buy. Get
pre-approved
before you start
looking!**

NEW HOME profile

THIS PROFILE CAN HELP YOU FIND THE RIGHT HOME

Your realtor can provide a list of homes for sale that match your profile.

Preferred location (county) _____

Monthly payment goal from \$ _____ to \$ _____ (including taxes and insurance)

Price range from \$ _____ to \$ _____

Age preference ____ New Construction ____ <10 years old ____ <30 years old ____ Other ____

Preferred number of bedrooms ____ 1 ____ 2 ____ 3 ____ 4 ____ 5 ____ More # ____

Preferred number of bathrooms ____ 1 ____ 2 ____ 3 ____ 4 ____ 5 ____ More # ____

Preferred square footage between _____ and _____ square feet

Preferred property type ____ Single Family ____ Condo ____ Townhome ____ Farm ____ Other ____

Preferred Home Style

____ 1 story ____ A-frame ____ Colonial ____ Mediterranean ____ Victorian
 ____ 1.5 story ____ Bungalow ____ Contemporary ____ Mobile Home ____ Tudor
 ____ 2 story ____ Cape Cod ____ Log ____ Split Level ____ Other _____

Preferred Interior Features

____ Basement ____ Finished Basement ____ Hardwood Floors ____ Tile Floors
 ____ Recreation Room ____ Central Air ____ Fireplace ____ Laundry Room
 ____ Workshop ____ Den/Study ____ Formal Dining Room ____ Natural Gas Heat
 ____ Family Room ____ Other _____

Preferred Garage

____ 1 or more ____ 2 or more ____ 3 or more ____ 4 or more

Preferred Exterior Features

____ Boat Facilities ____ Fenced yard ____ Horse Facilities ____ Spa ____ Swimming pool

Preferred Acreage

____ < 0.5 acres ____ 0.5 or more ____ 1.0 or more ____ 2.0 or more ____ 5.0 or more

Preferred Schools

School district _____ Private school _____

Elementary _____ Middle _____ High _____ Other _____

Is being close to work important? ____ Yes ____ No If yes, in which city do you work? _____

Do you have a preferred suburb where you want to live? _____

Other preferences? _____



HOME COMPARISON worksheet

“Which house had the ...?”

Copy this flyer, and as you are hunting for a new home, you can evaluate everything on paper before you make a decision.

Showing Date _____

Address _____

Price _____

Square Footage _____

Type of Construction _____

Architectural Style _____

Number of Bedrooms _____

Number of Bathrooms _____

Kitchen Size _____

Dining Room Size _____

Living Room Size _____

Family Room Size _____

Fireplace _____

Deck/Patio _____

Basement/Attic _____

Closet Space _____

Garage _____

Utilities _____

Appliances _____

Decor (carpet, wallpaper, paint, tile) _____

Neighborhood _____

School District _____

Distance to Workplace _____

Miscellaneous Notes _____



REQUIRED documentation

GETTING PRE-QUALIFIED

To get pre-qualified, you must provide the following information to your lender:

- ▲ Copy of your driver's license
- ▲ Last 2 years of W2 statements from your employer
- ▲ Last 30 days worth of pay stubs
- ▲ Last 2 months of checking/savings statements - all pages
- ▲ Name and phone number of your landlord to verify rental payments

The following items may also be helpful if applicable:

- ▲ Last 2 years individual tax returns - all pages and schedules
- ▲ If you are self-employed or commissioned, please also include:
 - ▲ Last 2 years individual tax returns - all pages and schedules
 - ▲ Last 2 years corporate tax returns (if applicable) - all pages and schedules
- ▲ Divorce decree or Court Order defining alimony or child support payments
- ▲ Last quarter (3 months) of stocks/bonds/mutual funds/401(k) - all pages
- ▲ Information on any deferred student loans
 - ▲ What will the payments be when the deferment ends?
- ▲ College transcripts (if graduated in the last 2 years)

Our job is to assist you and help you get approved. It is important to share any details that may impact your approval with us so we can plan ahead and navigate the process without any surprises.

QUESTIONS TO ASK A mortgage lender

When you are shopping for a mortgage lender, it's important to make sure you are working with an experienced, professional loan consultant.

The largest financial transaction of your life is too important to place into the hands of someone who can't give you the advice and troubleshooting you need. Unfortunately, any banks and mortgage companies that may appear to have the "lowest rate" may not have the best mortgage advisors. To the right are five questions your lender must be able to answer correctly.

Do you fund your own loans?

The answer to this question should be a resounding YES. Given the uncertainty in today's unstable mortgage market, partnering with a lender who funds its own loans is critical. With a lender-funded loan, you will work with your mortgage loan professional and lender throughout the entire process, typically resulting in a faster and less stressful mortgage experience for you.

How are mortgage interest rates determined?

Ideally, the answer is Mortgage Backed Securities or Mortgage Bonds, NOT the 10-year Treasury note, or any other index. While the 10-year Treasury note sometimes trends in the same direction as Mortgage Bonds, it is not unusual to see them move in completely opposite directions. Be sure your lender relies on the most accurate indicators when helping you make a decision about when to lock in your rate.

What is the next economic report that could cause interest rates to move?

Professional lenders will have this at their fingertips. Ask to see an up-to-date calendar of weekly economic reports and events that may cause rates to fluctuate. Interest rates can move on a daily basis, and understanding the market is crucial to locking in to an interest rate at the right time.

What impact does a Federal Reserve rate change have on mortgage interest rates?

The answer may surprise you. The Federal Reserve rate adjustments do NOT significantly impact long-term fixed rates. Fixed rates are driven by the trading on mortgage bonds and are impacted by inflation news, not on Federal Reserve moves.

Do you have access to real-time mortgage bond quotes?

Your lender should be able to explain how Mortgage Bonds and interest rates are moving in real-time and warn you in advance of a costly intra-day rate change. Your ability to lock in a rate at the right time is crucial to your long-term savings.

WHY YOUR CREDIT SCORE matters

THE FIVE FACTORS OF YOUR CREDIT SCORE

Payment History - 35%

How you've paid your bills in the past. A long history making payments on time and not missing payments can have the most positive impact on your credit score.

Outstanding Credit Card Balances - 30%

The amount you owe relative to the total amount of credit available. People with the best credit scores tend to keep their balances low.

Length of Credit History - 15%

The age of your open credit lines - the longer your credit history, the better.

Type of Credit - 10%

Your current mix of credit cards, retail accounts, finance company loans and mortgage loans - a diverse mix of credit is best.

Inquiries - 10%

How many credit applications you're filling out. Multiple credit report inquiries can lower your score.

Raising Your Credit Score

The best score to have is generally 720 or above - you are viewed as a safe risk and typically will receive a loan with a lower interest rate. If your score is below 720, we can help you develop a strategy to raise your score.

Making payments on time, lowering your credit card balances, keeping older accounts open, and using discretion when applying for new credit will all help to increase your score.

Lenders estimate your ability to pay back money borrowed based on your credit score.

A high credit score can result in a lower interest rate and save you thousands of dollars in interest paid over the life of the loan.



TIPS FOR A smooth loan approval

DO

Continue to make your mortgage or rent payments on time

Stay current on all your existing accounts

Keep working at your current employer

Keep your same insurance company

Continue living at your current residence

Continue to use your credit as normal

Call us if you have any questions

These DOs and DONTs will help you to avoid delays with your loan process after you submit your application.

If you encounter a unique situation, it is best to mention it to us right away so we can help you determine the best way to achieve your goals.

DON'T

Make a major purchase (car, boat, jewelry, etc.)

Apply for or open a new credit card

Change jobs without notifying us first

Transfer any balances from one account to another

Pay off any charge-offs without notifying us first

Pay off any collections without notifying us first

Buy any furniture on credit

Close any credit card accounts

Change bank accounts

Max out or overcharge your credit card accounts

Consolidate your debt onto 1 or 2 credit cards

Take out a new loan or start any home improvement projects

Finance any elective medical procedures

Open a new cellular phone account

Join a fitness club

Pay off any loans or credit cards without notifying **us first**



HERE'S WHAT you can expect

AFTER SIGNING YOUR LOAN APPLICATION

Communication

You'll be hearing from us a lot. We will notify you and your realtor when we:

- ▲ Receive your appraisal
- ▲ Submit your loan to underwriting
- ▲ Receive your conditions from underwriting
- ▲ Obtain a final underwriting approval
- ▲ Receive your final settlement statement (HUD-1) from the title company

Providing Additional Documentation

It is very important that you provide all requested documentation in a timely manner. If you do not, your closing date may be in jeopardy. Within a week from when you sign your loan application, you will need to get us all the requested documentation.

During the underwriting process, you may be asked for additional information referred to as "conditions." Please be sure to get us any additional information as quickly as possible.

Solidifying your Home owner's Insurance

It is your responsibility to obtain home owner's insurance. Your home-owner's insurance must be in place at least 10 days before your closing date. For refinances, we will require a current copy of your home owner's insurance certificate and your insurance agent's contact information.

THE MORTGAGE

application timeline

**This is a
typical mortgage
application
timeline.**

Your timeline may vary
based on your unique
circumstances.

Pre-Approval

Accepted Offer

Application

**Good Faith Deposit/
Order Appraisal**

**Purchase Homeowners
Insurance**

**Update Credit
Documents (if needed)**

**Receive Appraisal and
Submit File**

Conditional Approval

**Submit Underwriting
Conditions**

**Clear to Close
Approval**

Loan Commitment Due

**Lock in Rate
(if not done)**

CLOSING DAY!

FAQs

Why work with Servion Mortgage?

"Great service."

"The best service I have received doing a mortgage loan."

"Professional, diligent, and timely."

"The entire process was very positive. The staff that I worked with were wonderful. They were helpful, informative, and very pleasant. I would recommend Servion Mortgage again to anyone."

"Everything was wonderful, so much that I am sending family and friends to you."

What sales price should I be looking at during my home search?

Most likely, you will have a sales price range rather than an exact amount. This range is based on either the maximum payment for which you qualify, or your maximum comfortable payment, whichever is less. The total payment is a combination of several things:

- ▲ Principal and Interest
- ▲ Real Estate Taxes
- ▲ Home owner's Insurance
- ▲ Mortgage or Flood Insurance (where applicable)
- ▲ Home Owner Association (HOA) dues (where applicable)

Because taxes and HOA dues will vary drastically from property to property, zeroing in on a specific sales price is difficult. Be sure to keep in touch with your loan professional - they will help you determine the maximum amount you can offer when you are ready to buy.

What are closing costs and how much are they?

Closing costs consist of various charges associated with the mortgage transaction that are above and beyond the purchase price of the property or loan amount. These costs may be paid by the buyer or the seller and are typically paid at the time of loan closing. Some examples of closing costs include title work, appraisals, inspections, credit reports, recording fees, origination fees and points, and reserves for taxes and insurance. Total closing costs will vary depending on your situation. You will receive a Good Faith Estimate of your closing costs within three days of application to help you plan. Additionally, prior to closing, you will receive a final statement of closing costs.

What is an APR?

APR stands for Annual Percentage Rate, and is usually associated with the interest rate for your mortgage loan. The APR is the cost of credit expressed as an annual rate. Because there are closing fees associated with obtaining a mortgage loan, the APR will almost always be higher than the actual interest rate. APR takes into account some of the borrower's costs for getting the loan, including points, most loan fees and mortgage insurance, and can be used as an accurate tool for comparing rates from different lenders.

What is your rate?

Mortgage rates change on a daily basis and sometimes multiple times a day. Mortgage rates are typically determined by bond activity, specifically Mortgage Backed Securities. The daily trading and movement of Mortgage Backed Securities is one of the reasons quoting an interest rate can be difficult.

Additionally, there are more than 20 criteria that will affect an interest rate. Items such as credit score, loan amount, lender credits, occupancy type, loan to value, and other factors determine a person's interest rate. An accurate interest rate quote comes after the mortgage consultation and pre-approval are completed, but may be subject to change if you do not lock your rate immediately.

When do I lock my interest rate?

For purchase transactions, the interest rate will not be locked until the property is under contract (the purchase offer has been accepted). The sales contract will let us know how long we need to lock in the rate and the specific dollar amount of the loan. For refinance transactions, rates should always be locked as soon as you are ready to move forward with the transaction.

What are points?

One point is equal to 1% of the loan amount, or \$1,000 for every \$100,000. Points are fees paid to the lender at closing in exchange for a reduced interest rate, which will lower your monthly payment.

What will I need for my formal loan application?

Exact items will vary from transaction to transaction. You will receive a specific list of documents needed from your loan professional at the time of your formal loan application. Standard required documentation includes:

- ▲ Social security card
- ▲ Driver's license
- ▲ 30 days' worth of pay stubs
- ▲ Last 2 years of W-2s/1099s and tax returns
- ▲ 60 days of bank/asset statements
- ▲ Fully executed sales contract
- ▲ Copy of Earnest Money deposit check

If the borrower is self-employed, the previous two years' worth of business tax returns will be required as well. There is additional documentation if the borrower(s) is not a U.S. citizen, gift money is being used for the down payment, or the borrower(s) own multiple properties.



WHERE DO I go from here?

If you feel you are ready to begin the process, let us help you determine the best way to move forward.

We hope to have answered some of your questions, but we've been around long enough to know that you may have more! So, give us a call - that's what we are here for!

Our website, www.myservion.com is also a great resource for home buyers. We have educational videos, calculators, and informative downloads to help answer even more of your questions and educate you about the home buying process. Check it out!



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www.myservion.com
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