Bonus Information and Inserts From the Book

First Home: Where To Start and How To Win

by Kristi Service Nowrouzi

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How Long Do I Have To Wait?	**Conventional**	**FHA**	**VA**	**USDA**
Foreclosure	7 years	3 years	2 years	3 years
Bankruptcy Ch 7	4 years	2 years	2 years	3 years
Bankruptcy Ch 13	2 years from discharge date or 4 years from being dismissed	12 months history of current payments and letter from bankruptcy judge	2 years	3 years
Short Sale/Deed in Lieu of Foreclosure	4 years	3 years	2 years (or no wait if no lates in 12 months)	No wait period but must have automated approval

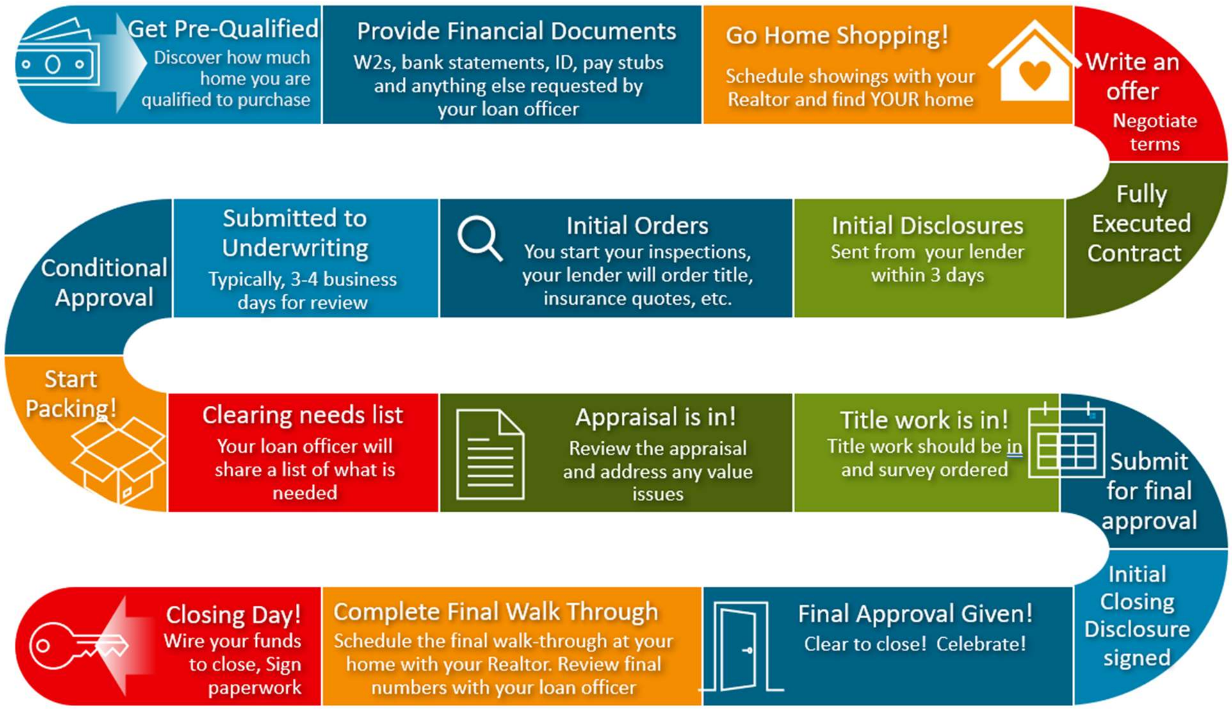
Below is a chart that compares some of the guiding principles of the four main loan types:

Conventional	FHA	VA	USDA
620 minimum credit score	580 minimum credit score (500 with 10% down)	580, but might be able to go lower	640 minimum credit score
33/45 ratios	45/56 ratios	No ratios stated: there is a calculation depending on family size, region of the country you are buying in and home size (but *usually* I see average max at 56%)	29/41 ratios
No or few collections, great payment history	Collections and repos often acceptable, desired 12 months of on-time payments, but not always necessary	Collections and repos often acceptable, desired 12 months of on-time payments, but not always necessary	No or few collections, great payment history
2 months reserves desired	No reserves required	No reserves required	No reserves required
3% down if no home ownership in the last three years	3.5% down payment	0% down payment	0% down payment

VA loan or if it's a subsequent use (it's a percentage of your loan amount) for your purchase:

Down Payment	Percentage for First Time Use	Percentage for Subsequent Use
None	2.30%	3.60%
5% or more	1.65%	1.65%
10% or more	1.40%	1.40%

The above is valid from January 1, 2020 through April 7, 2023 and will likely change at that time


Get Pre-Qualified
Discover how much home you are qualified to purchase
Provide Financial Documents
W2s, bank statements, ID, pay stubs and anything else requested by your loan officer
Go Home Shopping!
Schedule showings with your Realtor and find YOUR home
Write an offer
Negotiate terms
Fully Executed Contract
Initial Disclosures
Sent from your lender within 3 days
Initial Orders
You start your inspections, your lender will order title, insurance quotes, etc.
Submitted to Underwriting
Typically, 3-4 business days for review
Conditional Approval
Start Packing!
Clearing needs list
Your loan officer will share a list of what is needed
Appraisal is in!
Review the appraisal and address any value issues
Title work is in!
Title work should be in and survey ordered
Submit for final approval
Initial Closing Disclosure signed
Final Approval Given!
Clear to close! Celebrate!
Complete Final Walk Through
Schedule the final walk-through at your home with your Realtor. Review final numbers with your loan officer
Closing Day!
Wire your funds to close, Sign paperwork

Below is an example of a loan estimate from the CFPB.gov's website

FICUS BANK

4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
123 Anywhere Street
Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
Anytown, ST 12345
SALE PRICE $180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐ ____________
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT
*Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on **3/4/2013** at 5:00 p.m. EDT*

Loan Terms		**Can this amount increase after closing?**
Loan Amount	$162,000	**NO**
Interest Rate	3.875%	**NO**
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$761.78	**NO**
		Does the loan have these features?
Prepayment Penalty		**YES** • **As high as $3,240** if you pay off the loan during the first 2 years
Balloon Payment		**NO**

Projected Payments

Payment Calculation	**Years 1-7**	**Years 8-30**
Principal & Interest	$761.78	$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow *Amount can increase over time*	+ 206	+ 206
Estimated Total Monthly Payment	$1,050	$968

		This estimate includes	**In escrow?**
Estimated Taxes, Insurance & Assessments *Amount can increase over time*	$206 a month	☒ Property Taxes	**YES**
		☒ Homeowner's Insurance	**YES**
		☐ Other:	
		See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.	

Costs at Closing		
Estimated Closing Costs	$8,054	Includes $5,672 in Loan Costs + $2,382 in Other Costs – $0 in Lender Credits. *See page 2 for details.*
Estimated Cash to Close	$16,054	Includes Closing Costs. *See Calculating Cash to Close on page 2 for details.*

Visit **www.consumerfinance.gov/mortgage-estimate** for general information and tools.

LOAN ESTIMATE

PAGE 1 OF 3 • LOAN ID # 123456789

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Closing Cost Details

Loan Costs

A. Origination Charges	$1,802
.25 % of Loan Amount (Points)	$405
Application Fee	$300
Underwriting Fee	$1,097

B. Services You Cannot Shop For	$672
Appraisal Fee	$405
Credit Report Fee	$30
Flood Determination Fee	$20
Flood Monitoring Fee	$32
Tax Monitoring Fee	$75
Tax Status Research Fee	$110

C. Services You Can Shop For	$3,198
Pest Inspection Fee	$135
Survey Fee	$65
Title – Insurance Binder	$700
Title – Lender's Title Policy	$535
Title – Settlement Agent Fee	$502
Title – Title Search	$1,261

D. TOTAL LOAN COSTS (A + B + C)	$5,672

Other Costs

E. Taxes and Other Government Fees	$85
Recording Fees and Other Taxes	$85
Transfer Taxes	

F. Prepaids	$867
Homeowner's Insurance Premium (6 months)	$605
Mortgage Insurance Premium (months)	
Prepaid Interest ($17.44 per day for 15 days @ 3.875%)	$262
Property Taxes (months)	

G. Initial Escrow Payment at Closing		$413
Homeowner's Insurance	$100.83 per month for 2 mo.	$202
Mortgage Insurance	per month for mo.	
Property Taxes	$105.30 per month for 2 mo.	$211

H. Other	$1,017
Title – Owner's Title Policy (optional)	$1,017

I. TOTAL OTHER COSTS (E + F + G + H)	$2,382

J. TOTAL CLOSING COSTS	$8,054
D + I	$8,054
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	$8,054
Closing Costs Financed (Paid from your Loan Amount)	$0
Down Payment/Funds from Borrower	$18,000
Deposit	– $10,000
Funds for Borrower	$0
Seller Credits	$0
Adjustments and Other Credits	$0
Estimated Cash to Close	$16,054

Additional Information About This Loan

LENDER	Ficus Bank	**MORTGAGE BROKER**	
NMLS/__ LICENSE ID		**NMLS/__ LICENSE ID**	
LOAN OFFICER	Joe Smith	**LOAN OFFICER**	
NMLS/__ LICENSE ID	12345	**NMLS/__ LICENSE ID**	
EMAIL	joesmith@ficusbank.com	**EMAIL**	
PHONE	123-456-7890	**PHONE**	

Comparisons	**Use these measures to compare this loan with other loans.**	
In 5 Years	$56,582 $15,773	Total you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.
Annual Percentage Rate (APR)	4.274%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	69.45%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal — We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

Assumption — If you sell or transfer this property to another person, we
- ☐ will allow, under certain conditions, this person to assume this loan on the original terms.
- ☒ will not allow assumption of this loan on the original terms.

Homeowner's Insurance — This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

Late Payment — If your payment is more than *15* days late, we will charge a late fee of *5% of the monthly principal and interest payment.*

Refinance — Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Servicing — We intend
- ☐ to service your loan. If so, you will make your payments to us.
- ☒ to transfer servicing of your loan.

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature　　　Date　　　Co-Applicant Signature　　　Date

Glossary

A

Adjustable-Rate Mortgage (ARM): A mortgage loan with an interest rate that changes during the term of the loan based on the adjustment period, typically adjusts after a set amount of years.
Amortization: A loan calculation that shows how principal and interest are paid off over a set period of time.
Amortized: A loan in which the payments are spread out over a set period of time.
Annual Percentage Rate (APR): The annual cost of a mortgage loan, stated as a percentage of the loan amount. It's useful for comparing the overall cost of different loans.
Appraisal: A professional opinion of the market value of a property by a certified appraiser. Ordered by the lender through an approved agency or company.
Appreciation: When the value of a home or property increases in a rising market.
Assessment fees: A tax or charge to homeowners for public services or improvements that benefit their property, typically in an HOA community or Condo Community.
Asset: An item of value that you own.
Association Fees: A required payment, charged to association members, for the upkeep and management of shared property such as in a Condo Association.
Automated Underwriting: A computer-based method that lenders use to process loan applications and to recommend whether to approve the loan.

B

Bi-Weekly Payments: Splitting an installment loan payment such as your mortgage payment in half and paying that half every 2 weeks, which creates 26 half payments = 13 full payments in one year. Expedites the payoff of the loan and reduces the overall interest owed.
Break-Even: A calculation on when you will recuperate the costs involved in making a purchase.
Broker: Broker refers to an agent that has an additional license that allows them to open their own company/brokerage. They could also be the broker of record for the brokerage/company (managing broker). If a real estate agent has a broker's license, it's additional training and licensing, but it doesn't necessarily make them the broker of record, but an associate broker.
Buydown: The paying of interest up front as part of the closing costs to secure a lower interest rate for the term of the loan.
Buyer's Agent: A broker or agent who represents only the buyer.
Buyer's Market: A purchasing environment in which there is a greater inventory for sale than there are buyers, leaving many choices for buyers and often creating the ability to better negotiate sales terms for the buyer's favor. Many times buyers can purchase their home at a discount or get concessions from the sellers.

C

CAIVERs Report: Credit Alert Verification Reporting System. A federal database listing anyone who has defaulted on a government-backed loan such as student loans or a mortgage loan that has been foreclosed. Report ran during the processing of an FHA, VA, or USDA loan only. If you have previously defaulted on a government-backed loan, it could keep you from being approved for a new government-backed loan until that debt is settled or satisfied.
Capacity: The ability to earn enough income to afford mortgage payments and other living expenses.
Capital: The funds available for the upfront costs of homeownership, such as the down payment and closing costs.
CDD: Community Development District where a new community incurs the infrastructure costs. It is a fee or bond, typically added to the property taxes and is for a certain term; until the costs have been recuperated to build the streets, lighting, storm water drainage, at a typical cost of $1000-$3000 a year for a period of up to 30 years.
Charge-Offs: An accounting term used when the creditor does not expect to collect the balance owed on an account. It is listed as a derogatory item on your credit report that can damage your credit score and leave a negative listing on the credit report for 7 years.
Clear Title: A title that is free of liens and any claims against the property.
Clear to Close: Final approval! Ability to get to the closing table. Kristi's favorite!
Closing Costs: Fees and expenses paid by you and the seller for the purchase, sale, or financing of the property.
Closing Disclosure (CD): A document that itemizes services and charges relating to loan closing and the transfer of property. It also shows the annual percentage rate and finance charges.
Collateral: The home that will serve as guarantee of repayment for the loan.
Collections: When money is owed to a business or creditor that remains unpaid, typically owed for longer than 120 days. Efforts are made to pursue the payment of this debt, often through a collection agency who places a derogatory listing on your credit report that will remain for 7 years and damage your credit score.
Comparative Market Analysis (CMA): A written analysis of comparable homes currently for sale or recently sold in the surrounding area
Concessions: Also known as Seller Concessions. Buyers closing costs that are paid by the seller or it can be repairs done by or paid by the sellers. Something of value to sweeten the deal or to help the buyer get to the closing table.
Conforming Loan: A type of conventional loan that meets the underwriting guidelines established by Fannie Mae and Freddie Mac.
Contingency: A legally-binding clause added to a purchase agreement that states specific conditions that must be met within a set amount of time. If the conditions aren't met, the agreement can be canceled by the other party. Make sure to discuss what contingencies you will have (inspection period, financing, appraisal, etc).
Contract: Also called a purchase agreement. A legally binding document between a buyer and a seller. It can be drafted by a real estate agent, an attorney or between the buyers and sellers themselves. It outlines the terms of the contract including price, closing date and what costs are paid by which party to name a few.

Conventional Loan: Any mortgage that is not government insured or guaranteed. These loans are made by private lenders, such as banks and credit unions and typically guaranteed by Fannie Mae or Freddie Mac. There is a loan limit cap which increases each year.
Covenants, Conditions, and Restrictions (CC&Rs): Specific agreements or regulations that are legally enforceable and must be followed by the homeowner and future owners.
Credit: A way to buy products or services now and pay for them over time.
Credit History: A 7- to 10-year history of your record of payment for credit obligations, used to determine how likely you are to repay debt.
Credit Report: A record of your credit history, payment history and current credit status. Typically reported from the three largest credit reporting agencies: Equifax, Experian and Transunion.
Credit Reporting Bureau (Agency): A private record-keeping company that collects information about how people manage their credit.
Credit Score: A number, based on a credit report, that shows lenders how likely you are to repay debt.
Creditor: Any person or company to whom money is owed.

D

Debt-to-Income (back-end) Ratio: The maximum percentage of your gross monthly income that can be spent on the mortgage payment and all other debts.
Deed: A legal document that formally transfers ownership of property from the seller to you.
Default: Failure to meet financial obligations, which can result in the lender foreclosing on the property.
Deferment: The delaying of a payment for a specified period of time. The loan balance is accruing interest during this non-payment period.
Delinquency: When the borrower becomes overdue in payment as required by the mortgage loan.
Depreciate: When the value of a home or property decreases (Appreciation is the opposite).
Disclosures: Forms/addenda/paperwork that provides information. Your real estate agent will likely have a few to sign, the sellers disclosure will explain what they know to be true about the condition of the property, and your lender is going to send you disclosures, which is usually made up of 30-60 pages of forms to sign including your loan estimate, the application and many other forms.
Discretionary Income: Available income not used to pay expenses. Typically utilized in VA loans.
Down Payment: The amount you pay for your home that is not financed with the mortgage loan.
Dual Agent: A broker or agent who represents both you and the seller.

E

Earnest Money Deposit (EMD): A deposit made at the time of the purchase agreement to demonstrate to the seller that you’re serious about buying the home.
Equity: The amount of ownership you have in your home. It’s estimated by subtracting the balance of the mortgage loan from the current market value.
Escrow Account: A special account used to hold monthly payments toward annual property taxes, homeowners insurance, and, if applicable, mortgage insurance.

F

Fannie Mae: Government sponsored enterprise that guarantee most loans made in the U.S. First chartered in 1938 to ensure a reliable and steady source of mortgage funds to lenders. Once a loan is originated (started), Fannie typically buys (guarantees) the loan and sells it in the secondary market to investors as Mortgage Backed Securities (MBS) to free up funds and start the process all over again. Fannie Mae creates the guidelines that most lenders follow in loan origination and provides an automated underwriting system referred to as Desktop Underwriting.
Federal Housing Administration (FHA) loan: A type of government loan that features flexible credit standards and a low minimum down payment (3.5% down) but comes with a mortgage insurance premium (MIP).
Federal Housing Finance Agency (FHFA): A U.S. regulatory agency created in 2008 to oversee the secondary mortgage market. The FHFA regulates Fannie Mae and Freddie Mac.
Findings: A report generated through the automated system of Fannie Mae or Freddie Mac that lists the information provided from the loan application and if it fits inside of their guidelines. In addition to the underwriter verifying the information provided, they must follow the guidelines and the requirements of the findings which details what information must be provided for loan approval.
Fixed-Rate Loan: A mortgage loan with an interest rate that remains the same for the entire term of the loan. The principal and interest are fixed.
Flood Insurance: Required insurance policy if your home is located in a flood zone. Homeowners insurance does not cover floods.
For Sale by Owner (FSBO): A property that is for sale by the owner, without the assistance of a real estate agent or broker.
Forbearance: An agreement made between the lender and borrower to postpone the payments due for a specified period of time. It often indicates that there is a hardship. The amount owed during this period is either due in full at the end of the period, added to the back end of the loan or other arrangements are agreed upon with the lender for repayment.
Foreclosure: The legal process that allows the lender to take possession of and sell a home, because the borrower did not pay the loan as agreed upon.
Four-Point Inspection (4-Point): An inspection report provided for insurance purposes that details the four most expensive parts of homeownership: roof, HVAC, electrical and plumbing. It lists the age, condition and details of each of these for an insurance quote and coverage.
Freddie Mac: Government sponsored enterprise that guarantee most loans made in the U.S. First chartered in 1970 by congress. Much like Fannie Mae's role in guaranteeing loans and sells it to the secondary market as Mortgage Backed Securities. Freddie Mac creates the guidelines that many lenders follow in loan origination and provides an automated underwriting system referred to as Loan Advisor (formerly known as Loan Prospector).

G

Gift Funds: Monies from family, close friends or your employer towards your down payment and/or closing costs. This must be paper trailed and requires a gift letter (provided by your lender) to be completed. Cash money is not allowed; it must come from an account we can show the withdrawal of these funds sent to you or to the title company for closing day.

Government Backed Loans: Loans that are guaranteed and funded through FHA, VA, or USDA.
Grace Period: The period of time after the due date that the mortgage payment can be received by the loan servicer before they charge a late fee.
Gross Income: Income before taxes, insurance or other deductions are taken out. Typically what is used for qualification of W2 wage earner borrowers.

H

Home Equity Line Of Credit: A type of home equity loan that allows you to access loan dollars as needed, with checks or a credit card.
Home Warranty: A policy which covers repair needs of many appliances and home systems such as heating/air conditioning unit, plumbing, hot water heater and sometimes even pool equipment. An annual agreement (to be renewed) and the owner of the home (you) pays a trip fee or service fee for a repairman, all other costs of repair or replacement is then covered by the warranty.
Homeowners Association (HOA): A group of homeowners within a defined community, or complex who make decisions about maintenance and repair of the land and common areas and enforce agreed-upon covenants, conditions, and restrictions (CC&Rs).
Homeowners Insurance: A form of insurance that protects your property against loss from theft, liability, and most common disasters including fire and hurricanes (but not floods).
Homestead: A property-tax classification for owner-occupied homes that reduces the amount paid for property taxes.
Housing (front-end) Ratio: The maximum percentage of your gross monthly income that can be spent on mortgage payments, typically a good rule of thumb is one-third of your gross income.
HUD: A U.S. government agency that enforces the Fair Housing Act and offers community programs such as grants, Section 8 rental program, and oversees FHA, the Federal Housing Administration.

I

Identity Theft: The use of someone's identifying information, like their name or Social Security number, without their permission, to commit fraud or other crimes.
Income Based Repayment (IBR): A reduced required payment, typically of student loans, based on current income levels.
Installment Loan: A type of loan with a fixed number of payments for a fixed period of time to repay.
Insurance Premium: The annual cost of an insurance policy.
Interest: A fee paid for borrowing money.
Interest Rate: A charge for borrowing money, expressed as a percentage of the loan amount.

J

Joint Tenancy: A form of ownership where two or more people have an equal and undivided interest in the property.

Judgment: A court decision that determines that a specific amount of money is owed by a debtor to another party, and that may be listed on a credit report as a public record.
Jumbo Loan: A large loan amount that exceeds the threshold of a conventional mortgage loan limit.

L

Lead Based Paint: A hazardous metal (that is found in paint from way back when) that if breathed or swallowed can cause health problems. More common in homes built before 1978.
Liability Protection: Insurance that covers property owners and other household members against personal liability (legal responsibility). Part of your Homeowners Insurance coverage.
Lien: A claim of money against a property. The value of the property is used as security for repayment of the debt.
Loan Closing: A meeting to transfer ownership of the home from the seller to you.
Loan Estimate: A document that describes important facts about your loan and gives you an estimate of your closing costs. Lenders are required to give you this estimate when you submit a completed loan application.
Loan Prequalification: An estimate of what you can borrow from a lender to buy a home, based on gross income and debt.
Loan Servicer: The company that services your mortgage loan. They collect your monthly PITI payment and also pays your homeowners insurance and property taxes annually as they come due. They will provide an escrow analysis each year, typically in January.
Loan-to-Value Ratio: The relationship between the loan amount and the value of the property, used to determine the minimum down payment.

M

Manufactured Home: A home built entirely in a factory and then delivered to the site.
Market Value: The most likely sale price for a home at a specific point in time.
Merged Credit Report: A single report that combines information from the three major credit reporting bureaus.
Modular Home: A home whose factory-built sections are brought to the site for assembly.
Mold: A form of fungus that grows on various kinds of damp or decaying matter.
Mortgage Broker: A professional who helps you shop for and compare loan products from different lenders. He or she does not represent a specific lending institution.
Mortgage Insurance Premium (MIP): Required for FHA-insured loans. Paid by the borrower, it protects lenders against loss if borrowers can't pay the mortgage.
Mortgage Lender: A financial institution that provides credit with the understanding that the money borrowed will be repaid, with interest, over a set time period.
Mortgage Loan: A secured loan used to buy a home or other property.
Mortgage Payment: The payment made to the loan servicer for the mortgage loan. It usually includes principal, interest, taxes, and insurance.
Multiple Listing Service (MLS): A series of regional databases that are available to real estate agents. The MLS has the most complete and up-to-date information on homes for sale.

N

Net Income: Income after taxes and deductions have been taken out. Typically net income is what is used for self-employed borrowers.
New Construction: A recently built home that has never been lived in.
Non-Conforming Loan: A type of conventional loan that does not meet the guidelines of Fannie Mae and Freddie Mac. The lender determines the interest, rates, fees, and loan requirements, which can vary widely.
Nontraditional Credit: A record of payment history to landlords, utility companies, and childcare providers. Used if you don't have a credit history from loans and other forms of credit.
Note: A legal document stating your obligation to repay the mortgage loan at a stated interest rate, over a set time period.

O

Offer: Starts the negotiation process on a home you would like to purchase.
Origination Charges: Fees charged by lenders for processing loans.

P

Perils: Events, such as fires or storms, which can damage a home.
Periodic Expense: Not a regular expense, sometimes paid quarterly or annually.
PITI: (principal, interest, taxes, and insurance) Used to describe a mortgage payment that includes principal, interest, property taxes, and insurance.
Point: Pre-paid interest or charges that equals one percent of the loan amount.
Pre-Approval: The lender guarantees to loan you a set amount of money, so long as you meet certain conditions, and the home meets their requirements. Borrower has provided financial documentation to prove income and assets. Information is found satisfactory through an automated approval system.
Pre-Qualification: Initial steps in the loan approval process. The borrower provides legal name, social security number, employment and residency covering the most recent two years, income and assets and is qualified based on credit score, ratios, and employment history. No paperwork is provided at this stage.
Principal: The amount borrowed (loan amount) or the outstanding balance of a loan, not including interest and other charges.
Print To PDF: The act of printing to a saved PDF documentation requested or needed for providing required information such as showing the EMD coming out of your bank account when a statement is not yet available or showing gift funds transferring from gift giver to you.
Private Mortgage Insurance (PMI): Provided by private insurance companies and paid by you as the borrower, it protects your lender against loss if you can't pay the mortgage on a conventional mortgage loan with less than 20% down payment.
Property Taxes: Charged by the local government, used to fund services such as schools, police, and street maintenance.
Purchase Agreement: A written contract signed by you and the seller stating the terms and conditions under
which a property will be sold.

Q

Qualifying Ratios: Guidelines used by lenders to determine how much of your gross income can be used to pay for a mortgage.
Quad-Plex: A 4-unit property, the maximum units to still qualify for an FHA, VA, or conventional mortgage.

R

Radon: A colorless, odorless, radioactive gas that seeps up from the earth and can leak into homes. Exposure to radon is known to cause cancer.
Rapid Rescore: A process available to quickly update a tradeline or multiple tradelines that have been paid down or off, without having to pull a new credit report or wait for a long period of time. By providing the evidence of what needed to change (lower credit card balance or paying off a collection account), your loan officer can update your credit report and within 3-5 days have an improved credit score/profile.
Ratios: The calculation of the cost divided into gross income (or net income if self-employed). The housing ratio is the total housing carrying cost divided by monthly income, and the total debt to income ratio is housing costs plus other debts and obligation (typically those reporting on the credit report) divided into income.
Real Estate Agent: A person licensed to negotiate and transact the sale or purchase of real estate property.
Real Estate Broker: A person or corporation licensed by the state to operate a real estate business.
Realtor®: A Real Estate Agent/Professional who is a member of the National Association of Realtors® and is held to a higher standard of ethics.
Refinancing: The process of paying off one mortgage loan with a mortgage loan secured by the same property.
REO (Real-Estate Owned): A home that went into the foreclosure process and has been repossessed by the lender. These properties, referred to as REOs, are often sold at below market value. An REO is the safest bet if you're interested in purchasing a distressed property.
Reserves: Money lenders require you to have left over after your cash to close, intended to be set aside to pay for unexpected repairs and the mortgage payment.
Rural Development Loan (USDA): A government-insured loan for lower-income homebuyers who want to live in rural areas. There are income limits, but credit standards are flexible. These loans feature below-market interest rates and require no down payment.

S

Seller's Agent (Listing Agent): A broker or agent who represents only the seller.
Seller's Market: A purchasing environment where supply and demand favor seller's. There are more buyers than sellers and thus, it is more advantageous to sell during this market, where sellers can be more selective, can get top dollar and often choose from many buyers offers.
Seller's Property Disclosure: A form required by state law and completed by the seller. It discloses facts about the property that the seller is aware of that could negatively impact the buyer.

Servicer: Responsible for the day-to-day collection of loan payments and managing escrow accounts. Who you will make your mortgage payment to and who will pay your property taxes and homeowners insurance as it is due each year.
Sheriff's (Trustee) Sale: A public auction of a borrower's assets seized in a foreclosure, carried out by a sheriff or other court officer.
Short Sale: When the home is sold for less than the owner owes for the mortgage. Lenders sometime agree to a short sale when the owner can't pay the mortgage.
State Housing Finance Agency Loan: A mortgage program for first-time homebuyers administered by your state Housing Finance Agency. These are government loans, and often have down payment and closing cost assistance.
Sweat Equity: Your own unpaid work on building your home or on improvements that increase its value.

T

Term: The number of years over which a loan is repaid. Can also describe other facts about your loan.
Title: A legal document establishing the right of ownership in a property.
Title Examination: A search of public records to ensure that the seller is the legal owner and to determine whether the current title is free of liens or claims against the property.
Title Insurance: An insurance policy paid for at closing that insures proper transfer of ownership back to the date of dirt.
Total Interest Percentage (TIP): TIP is the total amount of interest paid over the loan term, shown as a percentage of the loan amount. TIP is not the same as your interest rate.

U

Underwriter: An employee of the lender who confirms that the homebuyer and the home meet all
loan requirements.
Underwriting: The process by which a lender analyzes your finances in order to approve or deny your loan.
Unsecured Debt: Debt that is not backed by any collateral.
Upfront Costs: The costs you pay to buy your home, including the down payment, earnest money, and inspections, appraisal and closing costs.

V

Veterans Administration Loan: A government-insured loan for those who have served in the military and their spouses. VA loans require little down payment and no mortgage insurance, and interest rates tend to be below market. Borrowers still need to pay closing costs and a funding fee.

W

Will: A legally binding document stating how to distribute someone's property when they die.

Wind Mitigation Report: An inspection report for your insurance company that presents information on the condition, age and details of your roof.
Wood Destroying Organisms (WDO) Report: A report created by a pest control company that analyzes wood rot, fungus and if there is current/active or previous termite activity and if there is evidence of termite damage. A required report for VA loans, recommended for older or wood framed homes.

Common Acronyms

AMI: Area Median Income

APR: Annual Percentage Rate

CD: Closing Disclosure

CDD: Community Development District

CFPB: Consumer Financial Protection Bureau

CMA: Comparable Market Analysis

CTC: Clear to Close

DTI: Debt to Income (ratio)

EMD: Escrow Money Deposit

FHA: Federal Housing Administration

FHFA: Federal Housing Finance Agency

FICO: Fair Isaac Corporation

FSBO: For Sale By Owner

HOA: Homeowners Association

HELOC: Home Equity Line of Credit

HOI: Homeowners Insurance

HUD: Housing and Urban Development

ICD: Initial Closing Disclosure

LE: Loan Estimate

LTV: Loan to Value (ratio)

MI: Mortgage Insurance

MIP: Mortgage Insurance Premium (on FHA loans)

MLS: Multiple Listing Service

PMI: Private Mortgage Insurance (on conventional loans)

REO: Real Estate Owned

UFMIP: Up Front Mortgage Insurance Premium (on FHA loans)

USDA: United States Department of Agriculture (rural property loans)

VA: Veterans Administration

WDO: Wood Destroying Organisms (report)

Look at How Many Different People Take Part in the Mortgage Process!

Appraiser: A professional hired by your lender to provide in a report the fair market value of your home based on comparable recent sales.

Buyer's Agent: A real estate professional you hire to help you find, select, make offers on and negotiate the contractual terms for the purchase of your home.

Home Inspector: A professional you hire during your inspection period (your initial contract time) to create a report showing you everything that is of concern in regard to the condition of your home. Inspector will also provide the 4-point and wind mitigation reports that your insurance agent may need to provide quotes.

Homeowners Insurance Agent: A professional that provides insurance quotes and coverage of the policy that will pay for repairs should a peril happen (i.e. fire).

Listing Agent: The professional hired by the seller of the home that markets the sale of the real estate. They represent the listing and, in many cases, the seller too.

Mortgage Loan Originator: A professional loan officer that represents the lender and provides loan options that you qualify for. Responsible for the entirety of the loan process, from qualification to closing, overseeing each step and communicating with most parties listed here.

Processor: On staff to assist the loan officer during the process. Typically, the person who orders verifications of employment and taxes, requests the appraisal and the title work and finalizes the details on the application for submission to underwriting for loan approval.

Survey Company: The company that stakes out all property boundary lines of your property per the plat map or government records and provides a sketch of your home and property lines, identifying any encroachments and easements (rights of way such as utility companies). Your survey is provided on closing day. Typically ordered by the title company in the last week of the process.

Title Company: The company that provides the title work to issue “clear title” meaning the previous ownership transfers have all been completed properly and any issues have been remedied. They do a lien search and provide the insurance for clear title. Often the company who facilities the closing, your actual signing of the documentation and last stage in the process for you to become the homeowner.

Underwriter: The person responsible for reviewing all documents in your file and verifying the information. They must follow the guidelines of the loan program you are applying for and responsible for denying or approving your loan application. This person is the decision maker of your application.

How do I know if I am ready to purchase a home?

PROS

Rent

- Property maintenance is the responsibility of the landlord.
- You can move or change homes once you have met the terms of the rental contract.
- You do not have the costs associated with owning a home (e.g., property taxes, homeowner's insurance, maintenance).
- You will never have to replace a roof, an air conditioner or upgrade the electrical system as a tenant. NOTE: It is commonly recommended that you have Renter's Insurance, which protects you against the loss or destruction of your possessions (e.g., burglary or fire)
- Sometimes the costs to get into a rental are less than costs associated with buying a home.
- If you don't like your neighbors, you can easily move.

Buy

- You can build equity. Equity is the value of the home minus the amount you owe on it.
- You can borrow against the equity for many purposes.
- Homes generally increase in value over time and are a good long-term investment.
- The home is yours shelter, your nest egg and once your mortgage is paid in full, your housing cost becomes merely your taxes and insurance.
- Homeownership may reduce the amount of income tax you pay (interest and taxes are tax deductible).
- You can pass your home on to family members.

CONS

Rent

- You do not own your home or apartment or receive the benefits of being a homeowner.
- Your rent might increase or cost more than a mortgage payment.
- You might be unable to renew your rental contract and then have to find a new place to live.
- You do not have control over your largest single outflow of cash each month (housing payment), your Landlord is.
- You will always need shelter, if you continue renting, you will be paying high costs to have a roof over your head, where if you own, you can have the loan paid in full in the future and only pay for taxes and insurance as a carrying cost.

Buy

- Property maintenance and upkeep are your responsibility.
- You are responsible for the additional costs of Homeowner's insurance, flood insurance (if applicable), real estate taxes, and homeowner's association fees (if applicable)
- You may have to sell or rent your home before you can afford to buy or rent another one.
- You can lose your home, and your investment in it, if you do not pay your mortgage payments

Questions for Real Estate Agents

1. How long have you been working as an agent?
2. What home purchase price range is your specialty?
3. How many first-time home buyers have you worked with in the last year?
4. Would I be working with you or someone on your team?
5. What's your process for helping me find a home? What would the steps be?
6. What three things separate you from other agents?
7. Can you provide me with two or three references from current or prior clients? Is there a place online I can read your reviews?
8. Are you a full-time Realtor?
9. When it comes time to negotiate terms, what do you feel makes you a strong negotiator to help me get a great deal?
10. Do you keep an eye on the communities I want to shop in to know market trends and the inventory?

Questions for Loan Officers

1. How long have you been originating loans?
2. Do you work with multiple lenders or just one lender?
3. Do you have access to multiple loan programs, and how will you decide which program is best for me?
4. Do you approve loans in-house, or does the underwriting happen some other place?
5. Who will be my point of contact through this process, and how often should I expect to hear from you (or them)?
6. Do you charge fees for me to work with you? If so, can you please outline them for me?
7. How long does your pre-approval process take, and how long is it good for?
8. Will you re-pull my credit during this process?
9. When can you provide a loan estimate with what I can anticipate to pay in closing costs, what I can qualify for, and what my anticipated rate will be?
10. Do you work with any down payment assistance programs, and do you think I could qualify for any?

What Are The Three Most Important Items When It Comes To My Home? Circle or Add Your Answers:

Location/Travel time	Walk in Closets	Near parks
Bedroom Count	Upgraded Kitchen	Specific school zone
Split Bedroom Floorplan	Lots of kitchen cabinets	Master Ensuite
Pool	Extra living spaces	Single level vs. multiple
Garage	Additional Bathroom(s)	Community amenities
Extra Storage	Fenced In Yard	______________________

Consider Your *Must-Have's* versus Your *Would-Be-Nice* List:

Wants	Needs

Are There Any Features or Designs You Want To Avoid?

For example, I don't care much for side garages, I prefer in front of the home. Or maybe you simply don't like Colonial Style homes. List those here. Share this with your Real Estate Agent.

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Syllabus for Success

Things to Have Ready Prior to Applying for a Mortgage

- Credit scores should meet at least the minimum mentioned in this book. Usually, mid-600s is preferred, but you can start with lower credit scores.
- Deposit any "mattress money" you have (money in a safe, a shoe box, etc.) into your bank account. It should be in your bank account for two months prior to starting the loan application if possible.
- If you are getting a gift from a family member or close friend, make sure their funds are in their account for paper-trailing purposes (if they deposit cash to gift to you, we will have a problem, we have to show they have the funds to gift).
- Maintain steady hours at work and try not to change employment during this process.
- If you are planning on buying a new car, I suggest waiting until *after* the closing of your home. There is a good likelihood you will be increasing your car loan payment, which can interfere with your approval. And the credit inquiry from the auto dealership could lower your credit score. So do this, not during, but after, you buy your home.

Overview of the Process

If you know you are ready to buy and own a home, here are the steps to a successful closing. Start about four months prior to when you want to close on the purchase of your home.

1. Reach out to a recommended loan officer or Realtor to begin the conversation. If you start with a loan officer, work with the Realtor they recommend. If you start with a Realtor, work with the loan officer the Realtor recommends, but talk with at least two of each professional before making your selection of who you will work with.
2. Complete the pre-qualification application and provide your financials for pre-approval.
3. Start shopping for your home. Make sure you have a clear idea of what are *needs* and what are your *wants* in a home. Knowing what you *don't* want is just as important as what you *do* want.
4. Write an offer *only* if you can actually see yourself living there. Don't settle. It's not a pair of shoes you are buying. It has to check your "needs" boxes.
5. Negotiate through your Realtor: closing date, price, who pays what for closing costs, how long for your inspection period.
6. Once in contract, follow your Real Estate Agent's instructions for getting your escrow monies to the appropriate party, scheduling your inspections, and get any updated financials to your loan officer.
7. There are only a few things you pay for in advance of closing day out of pocket: inspections, appraisal, and, if applicable, condo questionnaire.
8. Your loan officer will send you, typically within a few days, your initial disclosures: your formal loan application and your loan estimate, which reviews the loan terms, plus about fifty-plus other pages.

9. Once inspections are complete, you are moving forward or negotiating repairs/costs. Then, your loan officer will have ordered your appraisal and have you in line for underwriting approval.
10. Shop for homeowners insurance quotes. You are comparing coverages, deductibles, and cost. Not to mention making sure this company, who will insure your home, is in good standing and has the money to payout a claim if you had to make one.
11. Receive conditional approval. Appraisal should be in about now as well. Fulfill any items to turn this conditional approval into your final approval.
12. Should have final approval about three to seven days prior to your closing date. Your loan officer will ensure you have signed your initial closing disclosure (close to final numbers) three business days prior to closing.
13. Schedule your walk-through at your future home, usually the day before closing.
14. Wire your funds to close to the closing company, typically the day before closing.
15. Arrive a few minutes early to your closing, and make sure you have your driver's license and another form of ID with you. If you are legally married, your spouse has to sign a few documents (depends on the state you live in). If you have a cosigner, that person needs to be at the closing with you or communicate with the closing company to schedule a mobile notary if they live in another area. Communicate this early on for scheduling purposes.
16. Sign your closing documents (mortgage, note, closing disclosure, and about 100 other pages!) and, once complete, you leave with the keys to your kingdom as a homeowner!

10 Commandments Once Pre-Approved

1. *Thou Shalt Not* change jobs, quit a job, submit a resignation (even with a two-week notice), or become self-employed.
2. *Thou Shalt Not* buy a car, truck, RV, boat, motorcycle, or van, unless you plan to live in it.
3. *Thou Shalt Not* use your credit cards for large-ticket items or open any new accounts.
4. *Thou Shalt Not* spend the money you have saved for your down payment and closing costs.
5. *Thou Shalt Not* buy furniture before you officially have a home to put it in, and definitely not on credit.
6. *Thou Shalt Not* allow *anyone*, for any reason, to pull your credit, even if you are offered a 10% discount.
7. *Thou Shalt Not* move money around, to and from bank accounts, make any large deposits into your bank account, change banks, or close any bank accounts.
8. *Thou Shalt Not* become a cosigner for credit for anyone or an authorized user on another account.
9. *Thou Shalt Not* pay any bills late or miss any payments.
10. *Thou Shalt Not* schedule your move-out date too close to your new move-in date.

Important Dates Now That You Are In Contract

If your Real Estate Agent doesn't provide you something like this below, ask them to help you complete the dates so you know what needs to be completed by when. Your Real Estate Agent and Loan Officer will ensure as a team you meet these dates to satisfy the terms of the contract.

Executed Contract Date:

Escrow Deposit Due Date:

Loan Application Due Date:

Inspection Period End Date:

Appraisal Due Date:

Finance Approval Due Date:

Closing Date:

Example Contract to Close Timeline

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
					1 **Contract executed**	2
3	4 **Due date of escrow monies** deposit to title	5 *Last day to make formal loan application*	6 *Submitted loan to underwriting*	7	8	9
10 **Final day for inspections**	11 *Lender will order the appraisal*	12	13 *Underwriting conditional approval/ loan commitment*	14	15	16
17	18 *Title work should be in by now*	19 *Title will order the survey*	20 *Appraisal due date, submit for final approval*	21	22 *Final approval expected date*	23
24	25 *Lender and title will start to balance for final numbers*	26 *Last day to sign Initial closing disclosure*	27 *Survey should be received by title*	28 **Final walk-through** *Review final closing* disclosure, *wire funds*	29 *Closing* **Day!!**	30
31						

Italics = Mortgage Loan Dates **Bold** = Realtor

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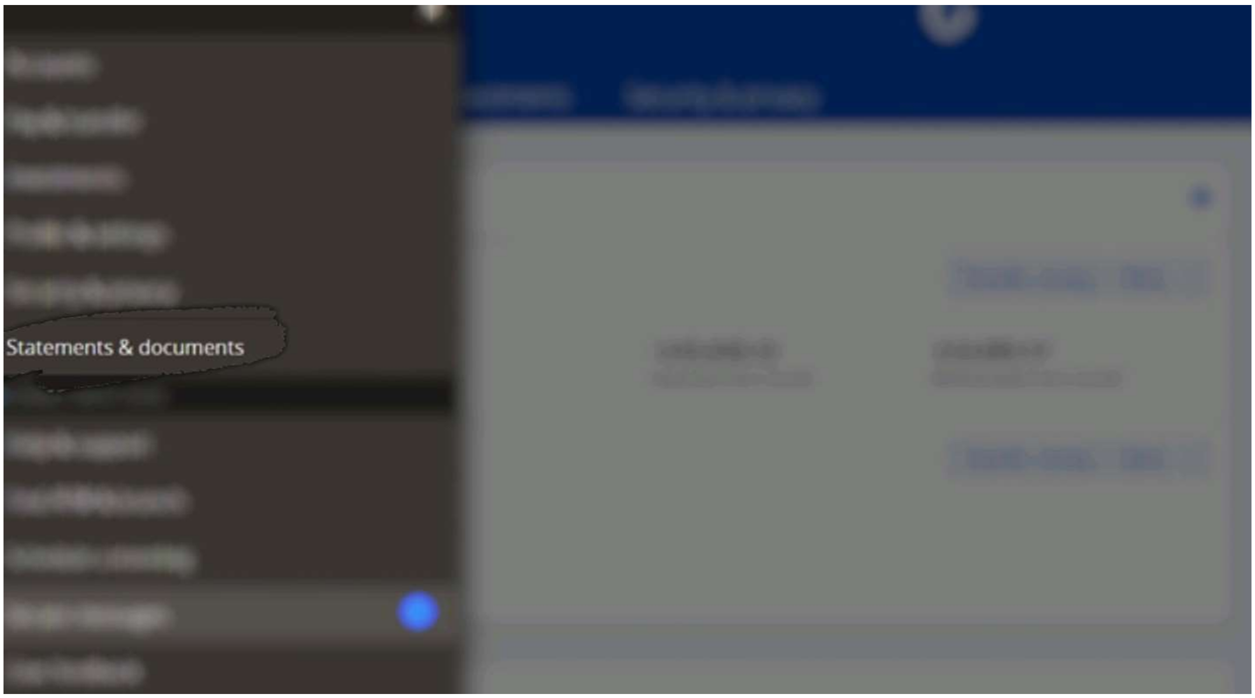
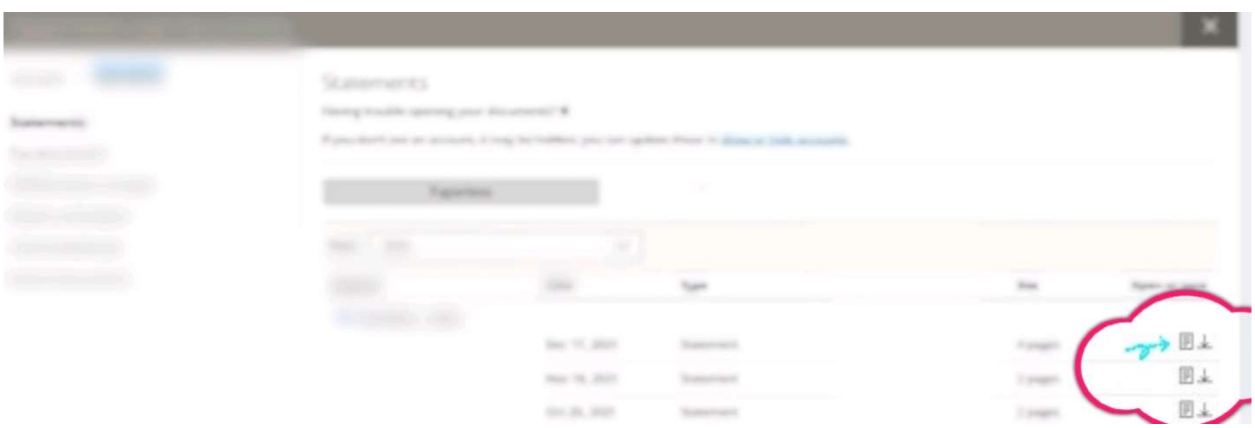
Print to PDF Instructions

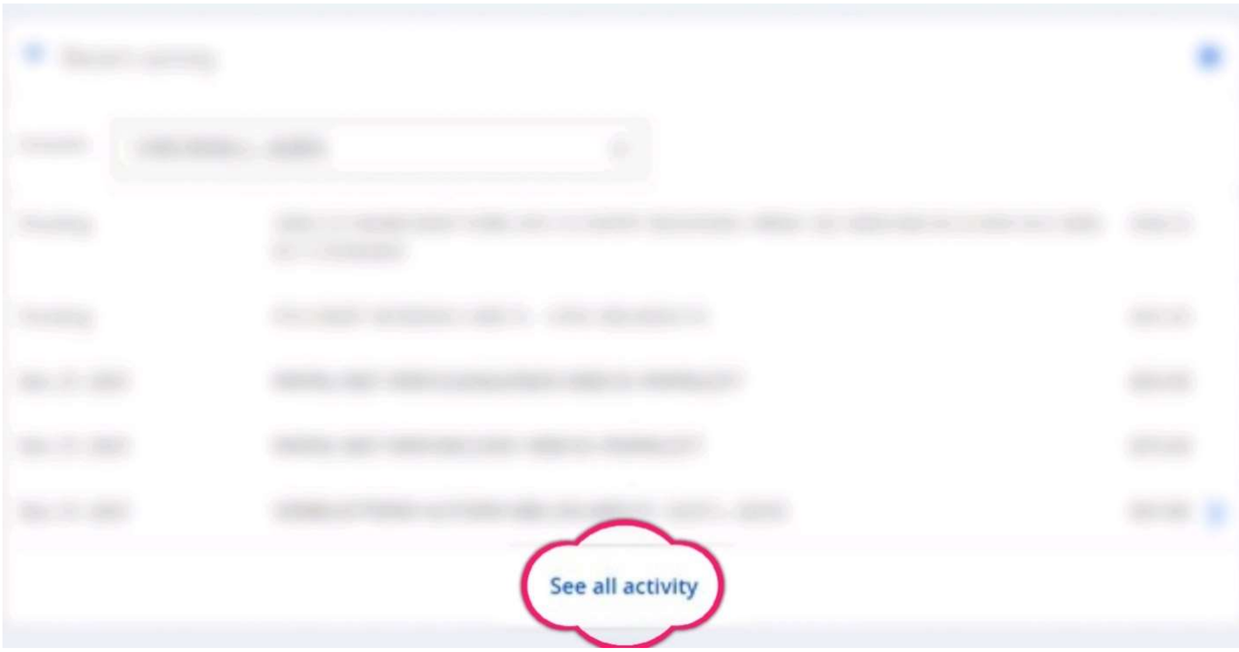
Log In to Your Bank Account
If your loan officer is asking for your bank statement(s), you may have to poke around a little. The page you "land on" will show your most recent transactions. Every bank is a little different but go to the main menu and search for "statements" or "statements and documents" like shown here:



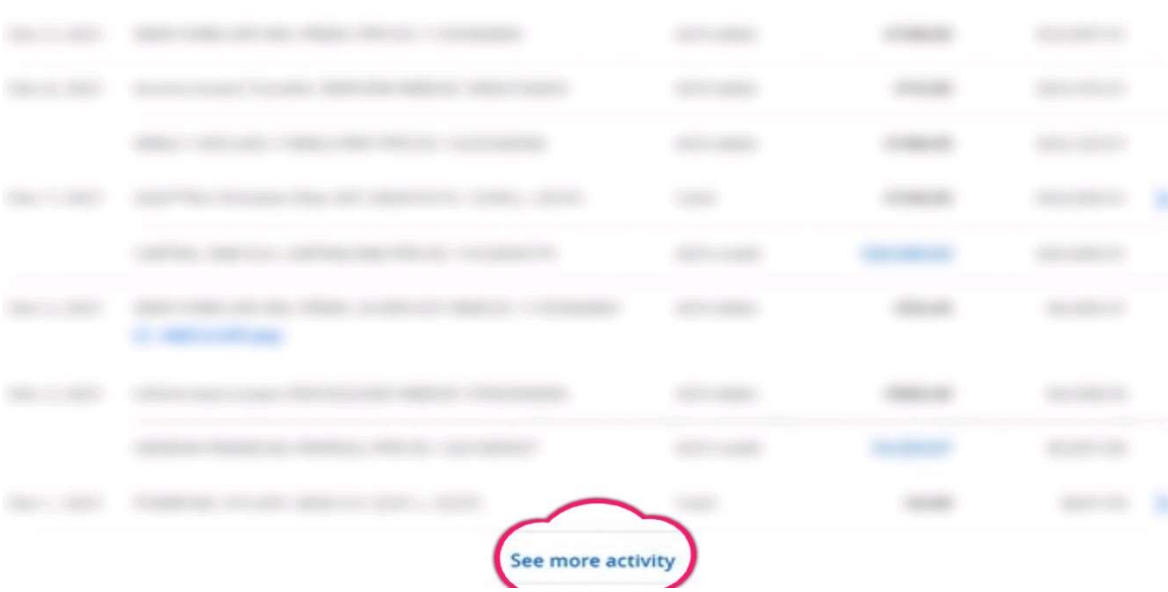
Then you can download or save as a PDF your most recent bank statement(s) as requested:



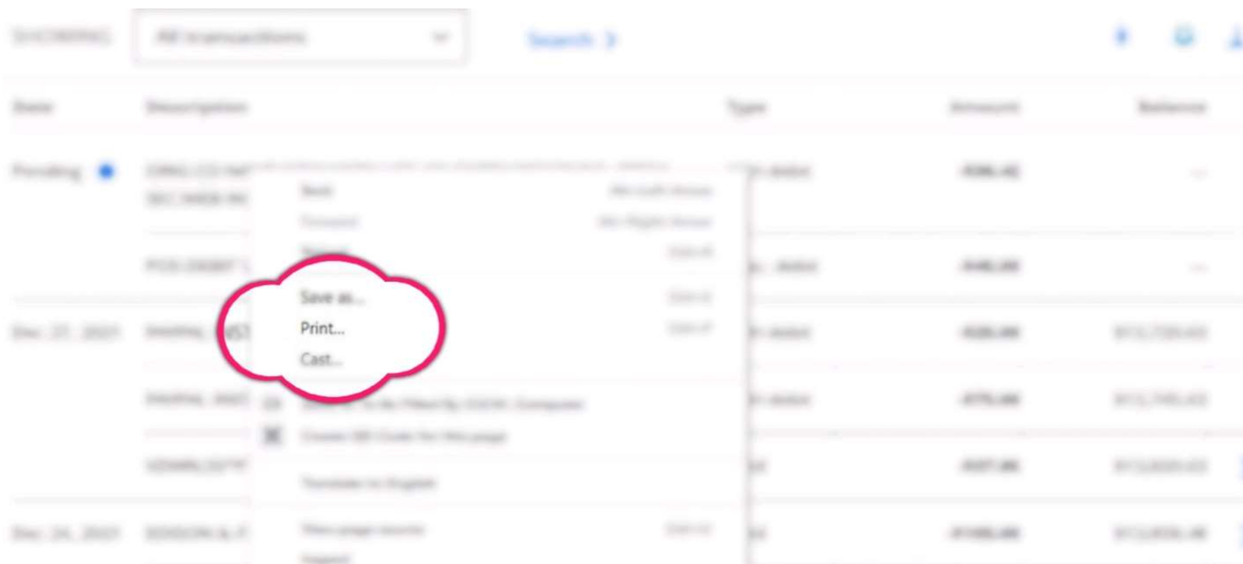
To Print to PDF transactions to show your escrow money deposit coming out of your account, from your landing page, you may need to click “Show all activity” or “show more activity” to open up more than just your most recent transactions:



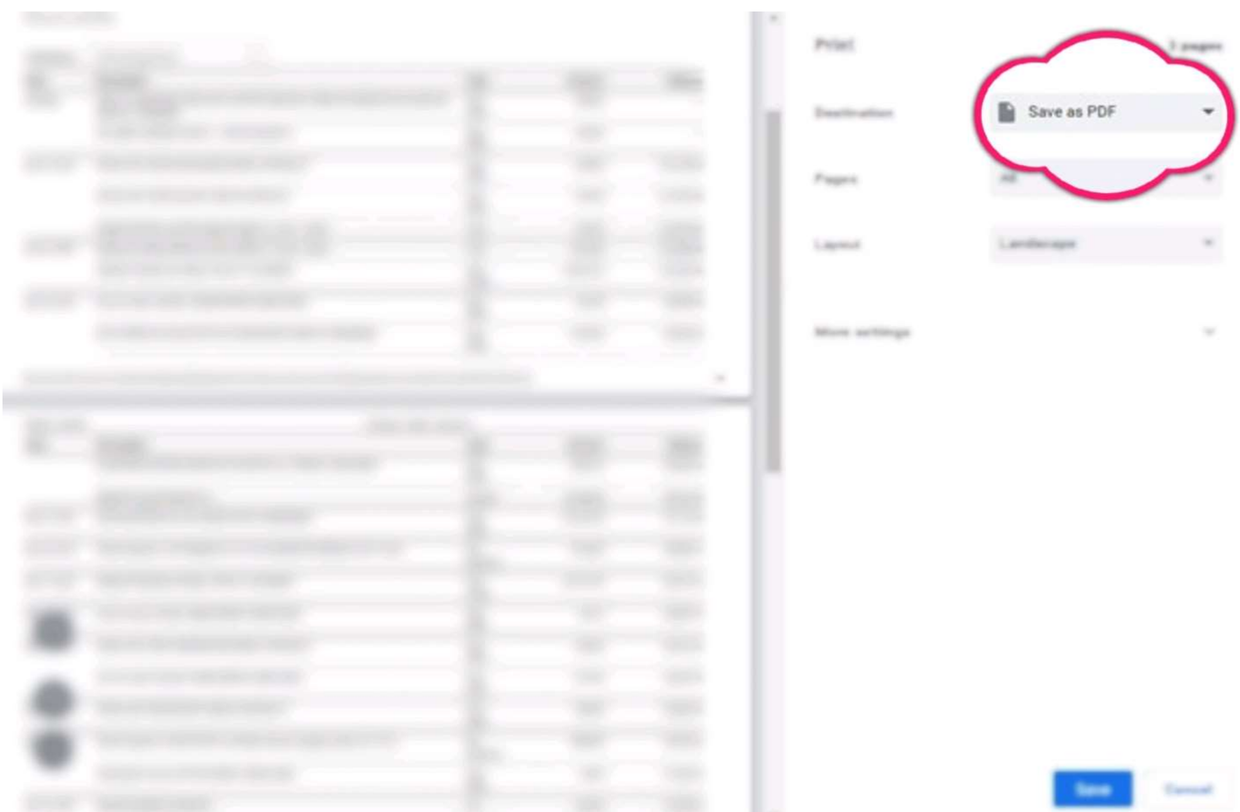
You will want to click “show all activity” or “show more activity” to open up the activity since your last bank statement end date. Let’s show back to the 1st of the month assuming your bank statement drops at the end of each month.



Once I can see all of the transactions since my last statement date, I can now either find the print icon or "right click" your mouse and see the box that opens up, and select print:



Now I can print to PDF or save as a PDF. Name it and save in a place you can easily find.



This way of showing the transactions is acceptable because the URL (typically starts with the https://) that is printed at the bottom of the page much like this:

https://secure07b.chase.com/web/auth/dashboard#/dashboard/overviewAccounts/overview/multiDeposit;flyout=accountSummary

PLEASE NOTE:

You cannot skip/exclude any dates nor redact/black out any information on any paperwork provided. If you are using this process to document gift funds from a family member/gift giver, it’s the same process. Provide a bank statement showing they had the funds to close, and then print all transactions since the bank statement ended to current day to show the gift funds coming out. Ensure no account numbers are blacked out and make sure all transactions are account for since the last bank statement date, or the information will be rejected as incomplete.

Some phone apps will allow you to forward bank statements to an email, but they don’t always allow you to Print to PDF the transactions. At the time of this writing, screen shots of the information are not acceptable per most underwriting guidelines. You may need to get on a computer to complete this step. Reach out to your loan officer with questions.

About the Author

Kristi Nowrouzi has been in the real estate industry over half of her life. She started out working part time as a receptionist at a busy real estate office after school and on Saturday mornings. After graduating high school, she got her real estate license (the first of two times!) at eighteen years old. She has worked as a Realtor, Realtor Assistant, Property Manager Assistant, Short Sale Negotiator, and recently reached the milestone of being a licensed mortgage loan officer for over ten years.

Helping hundreds upon hundreds of first-time home buyers, Kristi has the heart and the knowledge to teach you in a language you can understand. As a top producer at her company, Kristi focuses on the education piece, which tends to be lacking in the home-buying process. Kristi has a Master of Science in executive management and is a Certified Financial Education Instructor. When she isn't originating mortgages, writing a book, filming videos for her YouTube channels, or recording an episode for her podcast, *Credit Coaching by Kristi,* she is sightseeing and traveling with her husband, Andrew. They live outside of Orlando with their chosen adult daughter, Tamara, and they have two small dogs, Zeke and Cooper.

Her burning desire is to be on a TED Talk stage teaching about the limiting beliefs we have about money and how they are keeping us broke.

If this book brings value to your life and you feel empowered, educated, or find a newly recognized readiness to take on the home-buying process, I would like to ask for your help with a positive review. I would so appreciate it if you would take a few moments and write a review on the platform of your choice (perhaps where you purchased this book from). Thank you so much for your help to share the value inside of these pages. NMLS#754092

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This is not a commitment to make a loan. Loans are subject to borrower qualifications, including income, property evaluation, sufficient equity in the home to meet LTV requirements for refinances, and final credit approval. Not all applicants will qualify. Approvals are subject to underwriting guidelines, interest rates, and program guidelines. Approvals are subject to change without notice based on applicant's eligibility and market conditions. Not acting on behalf of or at the direction of HUD/FHA or the Federal Government. No loan officer is allowed to deny you applying for a loan. The mentioning of credit scores is stating the requirements of the loan guidelines. NMLS #754092 Equal Housing Opportunity.

Kristi is not attorney (and does not pretend to be!) and not offering legal advice. Please contact a local attorney and accountant for questions that cannot be answered by your loan officer or real estate agent. Kristi is not liable or responsible for your choices made. This book is not intended as legal advice. She is simply providing general mortgage loan education and guidance based on her 10 year professional experience. Happy home buying!