VANTAGE
MORTGAGE BROKERS

Home Buyers Guide

Helpful information to simplify the mortgage process and help you achieve your personal and financial goals.

NMLS # 35986

What is a Mortgage?

A mortgage is a loan used to purchase a home, secured by the property itself. The borrower agrees to pay the lender over time, typically in a series of regular payments that are divided into principal and interest.

A borrower must apply for a mortgage and ensure that they meet several requirements, including minimum credit scores and down payments.

Mortgage types vary based on the needs of the borrower. Mortgage rates can vary widely depending on the type of the product and the qualifications of the borrower.

Now let's discuss...

Mortgage Origination

The Mortgage Channels

Mortgage Loan Types

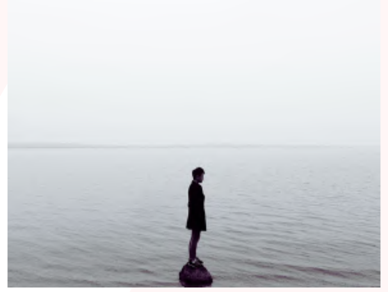
Mortgage Origination

Regardless of where your mortgage loan originates, the lender(s) sell the vast majority of all loans to the same exact agencies.

Captive
Loan Originator

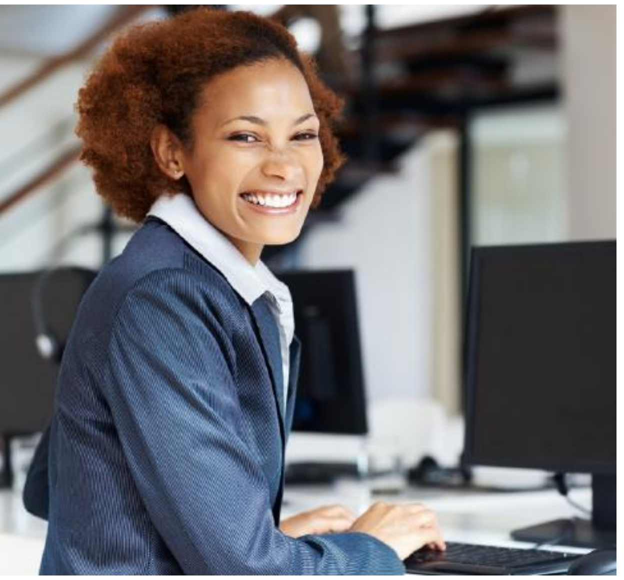
Bank or Correspondent originator that works for only 1 retail lender as an employee.

Lender



Agencies

Freddie Mac
Fannie Mae.
Ginnie Mae



Independent
Loan Originator

Represents the consumer as a fiduciary by shopping and partnering with multiple wholesale lenders without special interests.

Lenders

Agencies

Freddie Mac
Fannie Mae.
Ginnie Mae

The Mortgage Channels

Learn more about Mortgage Channels HERE

The Bank

Typically only one or very few lending sources are available with limited options. This may result in more strict underwriting or potentially higher rates and fees if there is a lack of comparison.

Loan Officers at a bank or depository are employees of the bank and may not require entry-level or continuing education requirements resulting in less industry expertise.

Correspondent Lender

Focus on using lines of credit over brokering for margins, even if more favorable terms are available.

Rates and fees can be higher due to operational costs.

May use the term "mortgage banker" but actually an "in-direct" lender and not a "true broker".

Mortgage Broker

Offers only residential mortgage services from multiple wholesale bank and non-bank lenders.

Works and shops exclusively for the consumer without priority to any lender.

The most advanced platform, requiring a high level of experience and continuing education.

Primary Mortgage Loan Types

Learn more about Mortgage Loan Types at the Vantage Mortgage Learning Center HERE

Conventional Conforming	Jumbo	FHA	VA	USDA
Conventional Conforming loans are mortgage loans backed by Fannie Mae and Freddie Mac or the GSEs (Government Sponsored Enterprises). Lenders sell all Conventional Conforming loans to one of these 2 agencies which can include fixed and adjustable interest rates over several term options and amortization schedules. Down payment requirements can be as low as 3%* for first-time home buyers and allow for family gifts, etc.	Conventional loans that exceed the conforming loan limit (set by the county and annually by Fannie Mae and Freddie Mac) are considered to be 'Jumbo' loans offered by numerous investors. These 'non-agency' loans generally require a larger down payment with a variety of rates and terms available. In addition to a larger down payment requirement, Jumbo loans may also require additional asset reserves and other measures in underwriting that may differ from traditional Conventional loans that conform with Fannie Mae/Freddie Mac.	The Federal Housing Administration (FHA) is part of the U.S. Department of Housing and Urban Development. HUD insures FHA-backed mortgage loans to protect lenders against loss. Underwriting and credit guidelines can be less restrictive and more flexible than standard conventional financing. Down payment requirements can be as low as 3.5%* and allow for family gifts, etc.	The VA home loan is designed to offer long-term financing to American veterans. VA mortgage loans are issued by federally qualified lenders and are guaranteed by the U.S. Veterans Administration. Typically more favorable rates. Less credit restrictions. Down payment requirements as low as 0%*	The U.S. Department of Agriculture offers a variety of programs to help low to moderate-income individuals living in small towns or rural areas achieve home ownership. Must be in eligible rural area. Minimal closing costs. Down payment requirements as low as 0%*

***May require Private Mortgage Insurance (PMI)**

Pre-Approval

Before you begin your search for a new home, it is imperative that you choose a Mortgage Loan Officer and get pre-approved for a home mortgage.

Submitting a pre-approval with your offer on a house is standard procedure when financing Real Estate. It shows the sellers that you have your finances in check, that you're serious about buying a house, and that you likely won't be denied mortgage financing if they proceed with you as the buyer.

A pre-approval will also confirm how much you can afford, so that you only look for homes within your budget.

Your Loan Officer will evaluate the following to determine your qualifications and approved loan amount:

- Your Credit FICO® Score
- Proof of Income
- Proof of Assets
- Employment Verification

Your Credit FICO® Score

Learn more about your FICO® score HERE

Mortgage lenders use your credit FICO® score to confirm what loan and terms you qualify for.

FICO® scores are calculated on 5 categories:

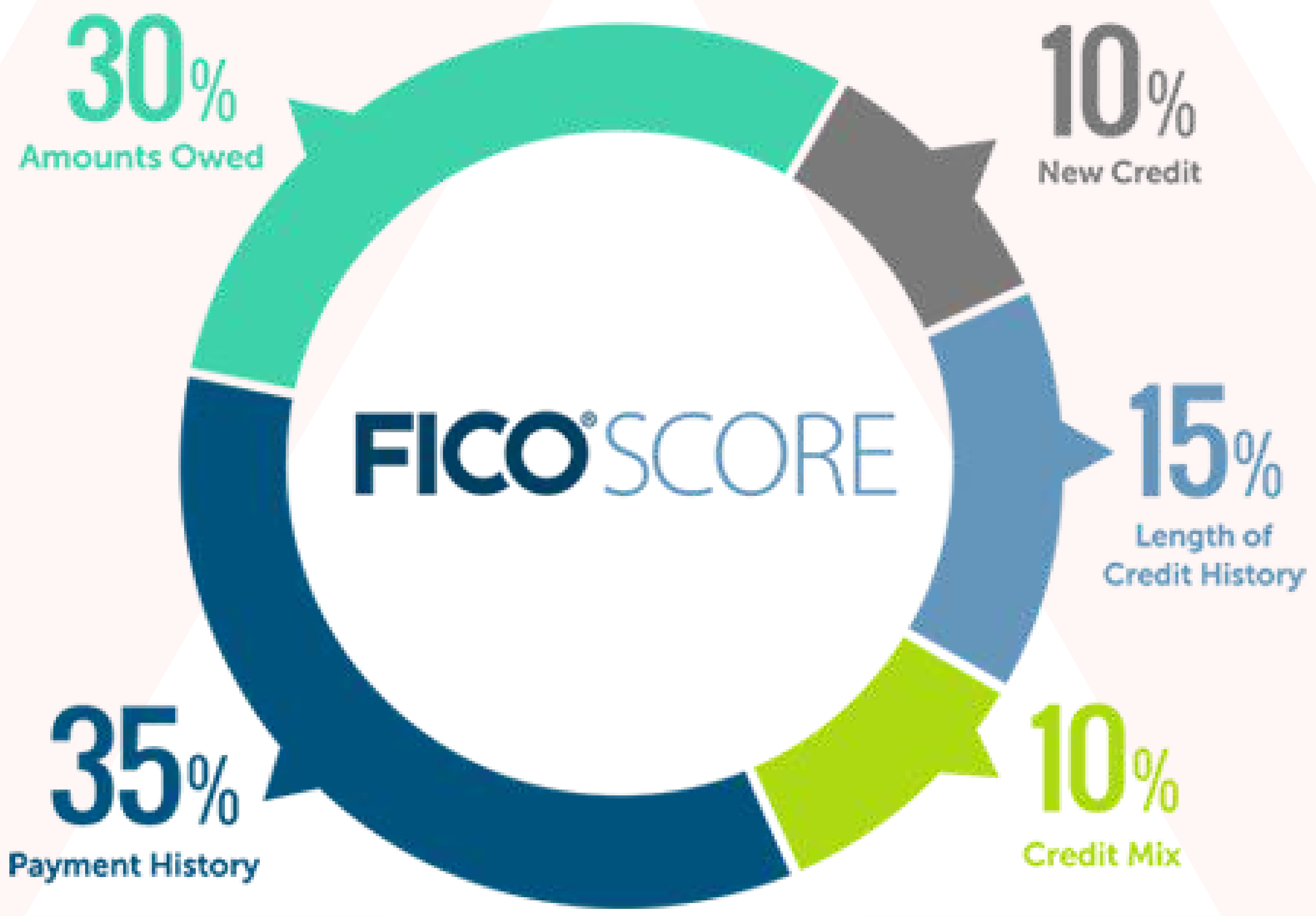
Payment History - 35%
The record of your on-time and late payments

Amounts Owed - 30%
Your credit limit minus the amount you owe for each account

Length of Credit History - 15%
The time elapsed since each account was opened

Credit Mix - 10%
Types of credit - Mortgages, Installment loans, revolving accounts, etc

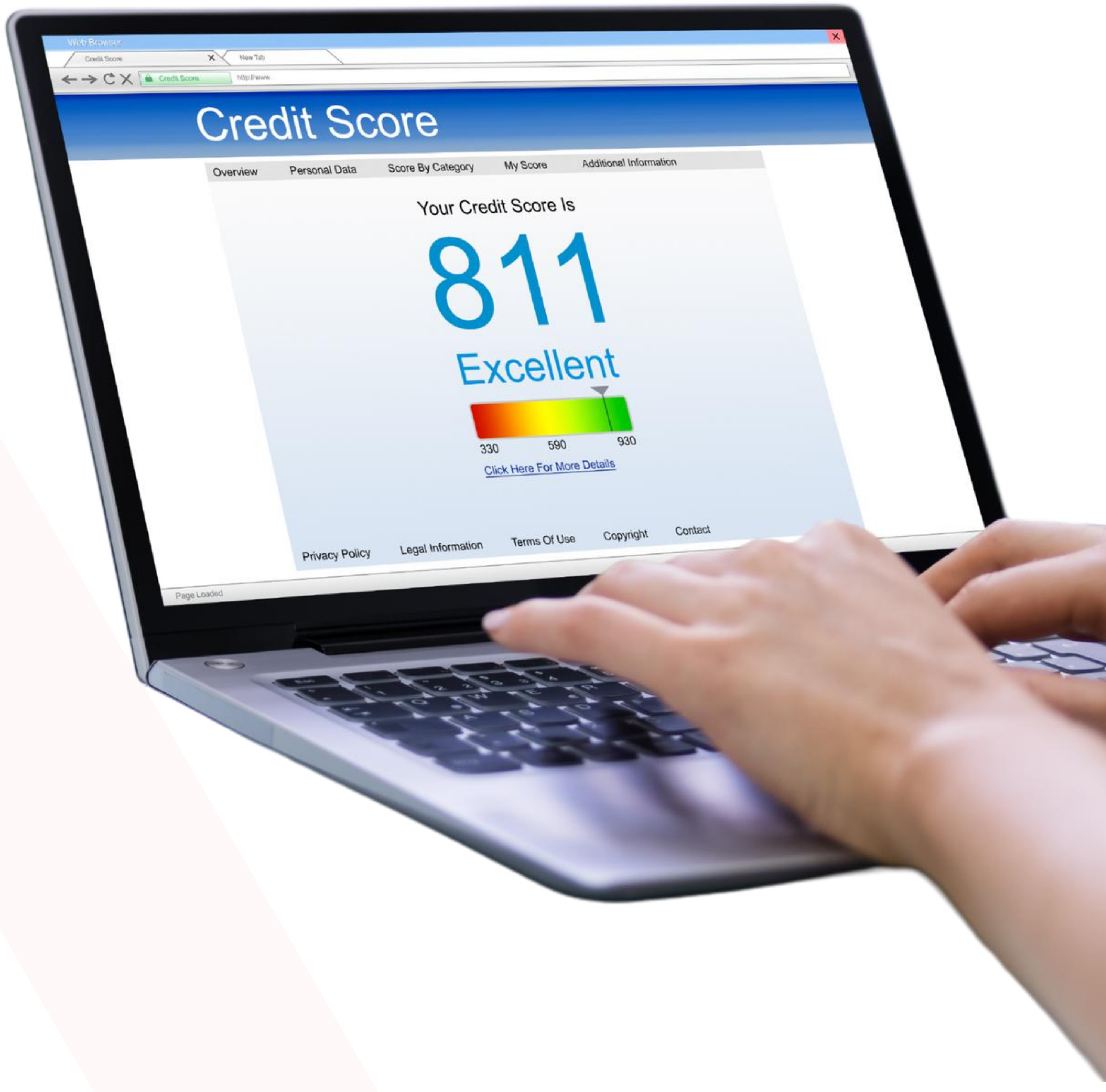
New Credit- 10%
Number of recorded inquiries logged when you apply for credit



Higher FICO® Scores = Lower Payments

FICO® scores in the higher ranges help you qualify for better rates from lenders.
Thus the higher your FICO® scores, the lower your monthly mortgage payments will be.

There are different versions of your FICO® score and Mortgage Lenders usually use versions 2, 4 or 5, which differs from versions used for other loans (Credit Card, Auto, Student Loans etc).



Learn more about your FICO® score HERE

Check your Credit Score

Review your credit history with Experian, Transunion or Equifax (or all three), to ensure your credit score and credit history look good. Now is the time to resolve any outstanding issues or work to raise your credit score.

By law, you are entitled to one free copy of your credit report from each of the bureaus each year. You can get all 3 reports free from www.AnnualCreditReport.com

Income

The following documentation is required to verify income:

30 Days Most Recent Paystubs
W-2s from the past 2 years
Tax Returns from the past 2 years
1099 forms and profit and loss statements for self-employed individuals
1099 forms and statements for other sources of income (Retirement, Pension, Social Security, Child Support, etc).

If applicable

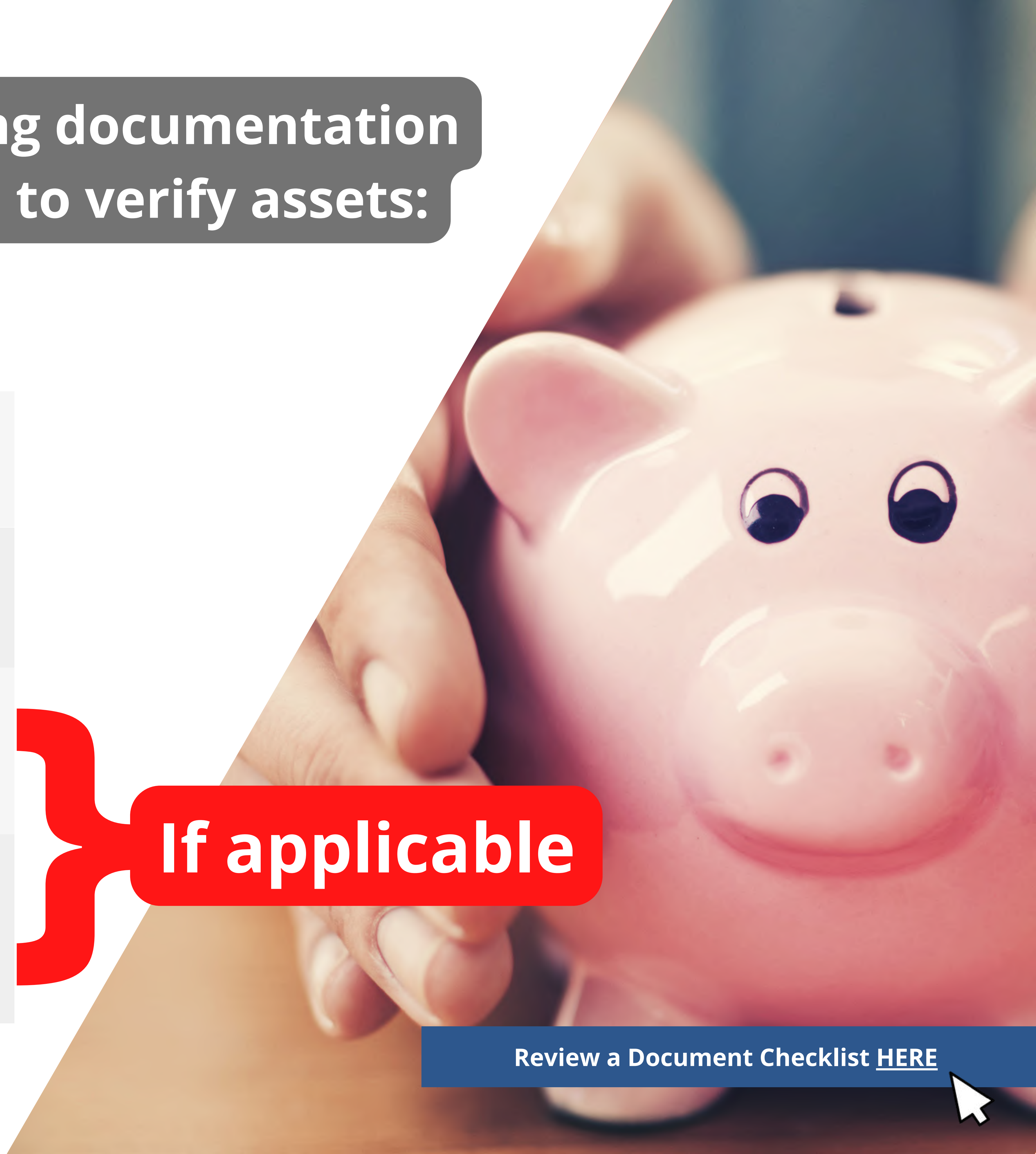
Review a Document Checklist HERE

Assets

The following documentation is required to verify assets:

- 2 months most recent bank statements for all personal accounts.
- Most recent quarterly or monthly asset statement(s) such as 401k, stocks, etc.
- Most recent mortgage, insurance and property tax statement for current residence.
- Most recent mortgage, insurance and property tax statement for all rental properties.

If applicable



Review a Document Checklist HERE

Employment Verification

The following information is required to verify employment:

Current & past employer contact information with start and end dates for the last 2 years.
Letter(s) of explanation regarding any employment gaps, changes in salary or hours. — **If applicable**
Last 2 years of corporate tax returns (all schedules), 1099s & K-1s — **If self-emloyed/applicable**

Review a Document Checklist HERE

Other Documents

These docs are also needed for your pre-approval:

Full and complete loan application (can be completed securely online)
Copy of photo ID for all borrowers
Copy of your DD214
Statement of service from your commanding officer if you are active duty

For VA Loans if applicable

Review a Document Checklist HERE

Access an In-depth Mortgage Calculator HERE

Set Your Budget

When you buy a home, there are one-time expenses, such as your down payment and closing costs, but there are also ongoing costs you need to prepare for. These costs include homeowners' insurance, property taxes and routine home maintenance.

Monthly Payments

Principal + Interest
Taxes & Insurance (can be included in payment)
Private Mortgage Insurance (PMI) (if applicable)
Home Owners Association (HOA) Dues (if applicable)

Other considerations

Home Maintenance Costs
Remodeling that you may want to do
New Furniture or Appliances
Moving and relocation costs
Savings & other Financial Goals

It's important to realize that you don't have to look for a home at the max amount you are approved for. The most important thing is to make sure you're comfortable with the monthly payments once you've evaluated all the costs and your personal financial goals.

Mortgage Process Do's & Don'ts

When considering buying a home or refinancing, you should prepare for what's required and also not do anything that will have an adverse effect on your loan throughout the mortgage process.

Do's

- Keep all originals, and have access to all of your pay-stubs, bank statements and other important financial documents.
- Notify your Loan Officer of any employment changes such as recent raises, promotion, transfer, change of pay status, for example, salary to commission.
- Make timely payment on all current debt obligations, including any current mortgage, car, student loan or credit card.
- Notify loan officer of any deposit you expect to make not related to your payroll, pension, SSI or income tax refund.
- Notify loan officer of change of current address, phone or email.

Don'ts

- Change jobs/employer without inquiring about the impact this change might have on your loan.
- Advance of any cash from credit card or borrow funds for closing.
- Make major purchases prior to or during your contract, such as new car, furniture, appliances, etc. as this may impact your loan qualification.
- Close or open any asset accounts or transfer funds between accounts without receiving the correct documentation required for your loan.
- Open or increase any liabilities, including credit cards, student loans or other lines of credit during the loan process.

For a full list of Do's & Don'ts visit HERE

Find a good Real Estate Agent

Look for the following characteristics when choosing your Realtor:

Knowledge

Stays up to date on the latest topics, trends & opportunities with continued education and professional development.

Network

Has a vast network of helpful contacts within the markets they serve.

Local

Understands the nuances that make a specific community's housing market and strategy unique.

Personality

Engaging personality that sells themselves, not just Real Estate. It's important to find someone you really connect with.

Honesty

Honesty, Integrity and showing they practice high ethical standards. Look for a member of the National Association of Realtors.

Hustle

Hustle and tenacity are crucial in giving offers and effective communication.

Find Your House!

Now that you've gotten your finances in order with a pre-approval, set your budget and picked your Real Estate agent, you are ready for the exciting step of shopping for your new home!

There are many things to consider when buying a house, here's some suggestions on how to make your search less overwhelming and how to focus on the important stuff.

Location, Location, Location

Walk Score - View nearby places in your neighborhood and commute times HERE

Great Schools - View school ratings and reviews for any neighborhood HERE

Spot Crime - View crime maps and statistics for any neighborhood HERE

One of the most important things to consider is location. It's the one thing you cannot change about your house.

If you are unfamiliar with areas you are looking at, take the time to drive around and explore, talk to neighbors and your agent, and ask questions. Here's some things to consider when choosing the neighborhood you want to live in:

Neighborhood Safety & Crime Statistics
Closest Grocery, Pharmacy, and Department Stores
School Districts & Extracurricular Activities
Nearby Parks, Walking Paths, or Dog Parks
Commute Time To Work
Public Transportation
Types of Restaurants in the Area
Property Taxes & Available Utilities

Make A List

It's a good idea to first make a list of what you're looking for in your new home. You should break your list into 2 sections, "Must haves" & "Wants".

It's not easy to find a house that covers 100% of your wants but important to find one that meets all of your needs.
Here's some examples of must haves and wants:

Type of Home
Age of Home
Number of Bedrooms
Number of Bathrooms
Square Footage
Lot Size

Garage Space
Basement
Kitchen Size/Layout
Flooring Type
Siding & Roof Type
Number of Stories

Pool
Outdoor Living
Deck/Patio
Landscaping
Fireplace
New Construction

Purchase Offer & Contract

Once you find a home you love then you are ready to submit an offer. Your Real Estate Agent will help you determine your offer price, earnest money deposit amount, closing date and any negotiations on seller-paid closing costs or concessions.

Your agent will draw up the paperwork for the offer and send you a copy to review and sign. Your signed offer will be submitted with your pre-approval and optional cover letter to the sellers agent for consideration. The seller may accept your offer or they may come back with a different price and terms and you can accept their counter-offer or counter back.

The negotiation can go back until both the seller and buyer can agree upon the price and terms. The seller may reject your offer and you continue with your home search until you find another one you want to purchase.

Earnest Money: What Is It And How Much Is Enough?

An Earnest Money Deposit, also known as a Good Faith Deposit, is typically part of your offer to show the seller you're serious about purchasing their home. The amount of Earnest Money offered varies, but is usually around 1 -3% of the sales price. It can be higher in a sellers market to strengthen the buyers offer.

When a buyer and seller enter into a Purchase Agreement, the seller takes the home off the market while the transaction moves through the entire process to closing. The Earnest Money protects the seller, as they would get to keep the Earnest Money if the buyer backs out for reasons outside of the inspection period or other contingencies listed in the contract. The buyer would get their Earnest Money back if the deal falls through during these specified times and contingencies. Earnest Money can act as added insurance for both parties in the transaction.

If all goes smoothly, the Earnest Money is applied to the buyer's down payment or closing costs, so essentially you are putting up some of your down payment or closing costs earlier in the process.

Lock or Float? How Mortgage Rates Work

Once your offer is mutually accepted, your loan will be registered and activated with the lender. You will have the option to lock your loan at current rates and your chosen terms, or float your loan and lock your rate later in the process.

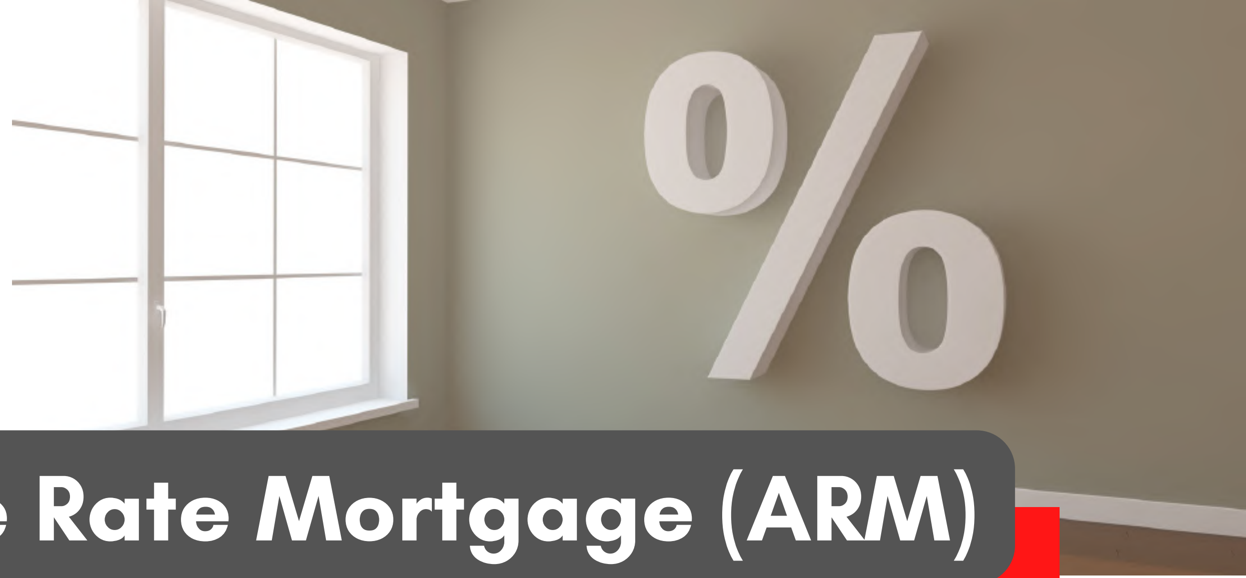
Conventional and Government (FHA and VA) lenders set their rates based on the pricing of Mortgage-Backed Securities (MBS) which are traded in real time, all day in the bond market.

This means rates or loan fees (mortgage pricing) moves throughout the day, being affected by a variety of economic or political events. When MBS pricing goes up, mortgage rates or pricing generally goes down. When they fall, mortgage pricing goes up. Tracking these securities real-time is critical.

Your Loan Officer will will discuss the bond market trends and confirm with you whether you should lock or float your loan.

Learn More About How Rates Move/Rate Lock HERE

Fixed Rate, Terms & ARMs



Fixed Rate Mortgage

With a fixed rate mortgage, the interest rate does not change for the term of the loan, so the monthly payment is always the same. Typically, the shorter the loan period, the more attractive the interest rate will be.

Payments on fixed-rate fully amortizing loans are calculated so that the loan is paid in full at the end of the term. In the early amortization period of the mortgage, a large percentage of the monthly payment pays the interest on the loan. As the mortgage is paid down, more of the monthly payment is applied toward the principal.

The most common fixed-rate terms are 30 years and 15 years, but most lenders will allow you to choose your own fixed term for any amortization period from 8 to 30 years.

Learn More About Fixed Rate Mortgages <u>HERE</u>

Adjustable Rate Mortgage (ARM)

An ARM is a mortgage with an interest rate that may vary over the term of the loan — usually in response to changes in the prime rate or Treasury Bill rate. The purpose of the interest rate adjustment is primarily to bring the interest rate on the mortgage in line with market rates.

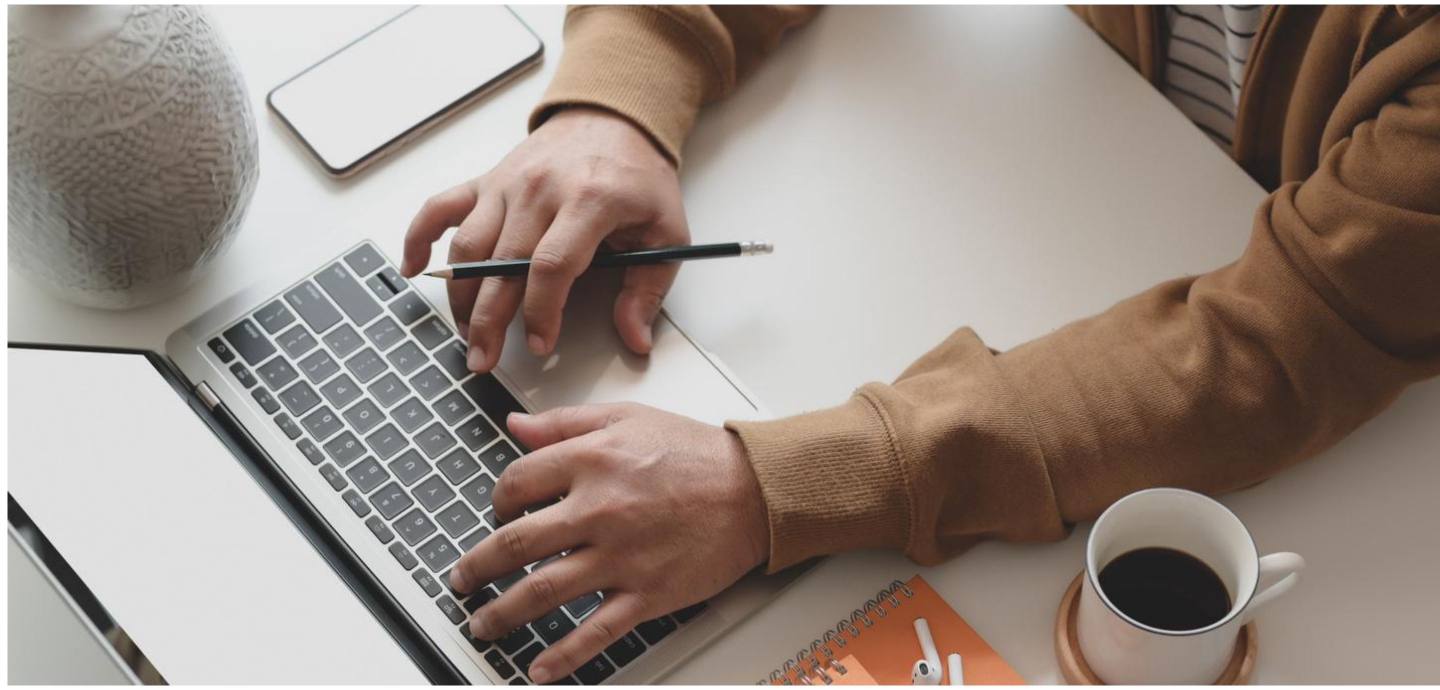
Mortgage holders are protected by a ceiling, or maximum interest rate, which can be reset annually. ARMs typically begin with more attractive rates than fixed rate mortgages — compensating the borrower for the risk of future interest rate fluctuations.

Choosing an ARM is a good idea when:
Interest rates are going down
You intend to keep your home less than 5 years

Learn More About Adjustbable Rate Mortgages <u>HERE</u>

Loan Disclosures & Documents Needed

Now that your loan is active and registered with the lender, you will receive disclosures via an email link with instructions on how to access, review and digitally sign.



Your loan officer will also request any required documents needed that weren't previously provided.

Once your disclosures are signed and all requested documents are received, your loan will be submitted to underwriting for review.

Closing Cost Fees Explained

Closing costs are processing fees that include any applicable:

Lender Fees
Appraisal Fees
Credit Reporting Fees
Title & Escrow Fees

Escrow funds are also part of your closing costs.

Escrow holds reserved money for property taxes, homeowners insurance and mortgage insurance if applicable.

Closing cost fees vary depending on your loan type, loan amount and location.

Escrow/Title

An escrow is a deposit of funds, a deed or other instrument by one party for the delivery to another party upon completion of a specific condition or event. It is an independent neutral account by which the interests of all parties to the transaction are protected.

When opening an escrow, the buyer and seller of a piece of property establish terms and conditions for the transfer of ownership of that property. These terms and conditions are given to a third, impartial party known as the escrow holder. The escrow holder has the responsibility of seeing that the terms are carried out.

The escrow is a "storehouse" for all monies, instructions and documents necessary for the sale of your home. This includes the buyer providing funds for a down payment, and the seller depositing the deed and any other necessary papers.

The Real Estate Agents will initiate opening escrow with an agreed upon title company. The loan officer and their team will be in direct communication with the title company throughout the mortgage process, providing them all the information and figures needed.

We will discuss the buyers role and signing with escrow later when we discuss closing.

The Home Inspection

A home inspection is an objective visual examination of the physical structure and systems of a house, from the roof to the foundation.

The inspection is usually scheduled shortly after both parties have signed the purchase agreement and the home has gone into escrow. The inspection is ordered by the buyer, with the inspector of their choice, and fees typically range anywhere from $300 to $600.

The average home inspection will take around 2 to 4 hours to complete and the inspector will provide the buyer the report that covers their findings, complete with pictures, analysis and recommendations (typically within 24-48 hours).

The home inspector's goal is to leave their clients with a deeper understanding of their prospective home, so the client can make a sound decision as they continue their home buying process. If major problems are found, homebuyers may wish to negotiate with the seller to make repairs or cover their costs.

The inspection report will cover the condition of the homes:

- Heating & Cooling Systems
- Interior Plumbing System
- Electrical System
- Roof
- Attic & Visible Insulation
- Walls
- Ceilings
- Floors
- Windows/Doors
- Foundation
- Basement
- Structural Components

The Appraisal Process

Most mortgage loans require an appraisal. Here’s what to typically expect during the appraisal ordering process –

You will be asked to provide the credit card information for the appraisal fee in your secure loan dashboard or you can call your loan officer directly with the card details. The appraisal can be ordered once you have successfully signed your initial set of loan disclosures and intent to proceed.

Appraisals are required to be ordered directly from a 3rd party Appraisal Management Company (AMC). The appraisal fee will be charged to your card directly by the AMC. Appraisal fees vary by loan type, location and complexity.

*VA appraisals are not paid up front but are paid for at closing.

Your loan officer or lender is not allowed to choose the appraiser, the AMC will assign to a local appraiser of their choosing who accepts the assignment. Once assigned, the appraiser will contact the agent(s) to schedule the appraisal inspection. Turn times vary depending on location and availability. You can have the appraisal rushed at an additional fee if the AMC can find an appraiser to accommodate the request.

Once the report has been completed and reviewed, we will send you a copy of the report and any accompanying notes if applicable.

When you put 20% down or more on a conventional conforming loan, you lender may not require an appraisal. This will be confirmed or not shortly after registering your loan.

Homeowners Insurance

Lenders require that you have a sufficient Homeowners Insurance policy secured before closing on your loan. The policy will need to contain enough coverage to fully replace your home (replacement cost) in the event it's destroyed in a fire or other disaster.

You can shop for Homeowners Insurance from any provider you'd like but it's important to choose and bind your coverage early in the mortgage process. Once you've received a quote that you would like to move forward with, you will provide your loan officer the insurance agent/company contact information. The loan officer's team will then communicate with the insurance company directly to provide them with further information and request all proof of insurance documents required by the lender.

*Additional Flood Insurance may be applicable if the subject property is located in a flood zone.
*Condominiums typically only require a walls-in limited policy, as HOA's usually include a master policy covering the buildings.
*Investment properties typically include landlord insurance which also covers liability and damages connected to tenant-occupied homes.

Initial Approval & Additional Docs Needed

Once your loan has been underwritten, an initial approval will be provided by the lender and your loan officer and their team will notify you and let you know if any additional documentation will be needed. Once the appraisal (if applicable) and other conditions are cleared, your file will move into closing.

Clear to Close

Your loan has successfully cleared all conditions from the lender and you are now ready for closing. Your loan originator will be sending you your Closing Disclosure (CD) for your review and acknowledgement. They will go over all the figures and fees with you and answer any questions you may have.

Your Loan Officer will confirm your closing date and schedule the signing appointment with the title company. Loan documents will be released when ready to the escrow officer and our team will help arrange your signing appointment. If funds are due at closing then this amount will be confirmed with you on an email overview to prepare the cashier's check or wire transfer.

After The Signing

After loan signing your Loan Consultant will confirm when the lender has funded and released the wire to record the new Deed (Mortgage). The escrow officer at the title company will also reach out to confirm once they have recorded with the county and then you are an official homeowner!

Be sure to store the documents you received during the closing in a safe place. You can now update your address, set up utilities, etc. Contact your Loan Consultant any time after closing for questions about your first statement/payment or setting up loan servicing and online or automatic payments.

Get Started

Ready to get started on your journey to home ownership?

Feel free to contact us with any of your questions.

Here's some helpful links and Happy House Hunting!

Mortgage Calculator

Get A Quote

Apply Online

(503) 781-2821

ssmith@vantagemortgagegroup.com

Sheila Smith

Mortgage Broker NMLS # 54661

VANTAGE MORTGAGE BROKERS

17040 Pilkington Rd. Suite 300, Lake Oswego, OR 97035

NMLS # 35986

EQUAL HOUSING OPPORTUNITY