



FINANCING YOUR HOME WITHOUT ALL THE STRESS

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The Process

- The mortgage process typically takes 30-45 days from application to close.
- Meet with your loan officer and create a plan
- Get pre-approved
- Find your new dream home/make an offer/offer accepted
- Apply for your mortgage/provide any additional documentation
- Lender will start processing your loan.
- Once approved you clear any conditions needed before closing.
- Bind your insurance
- Close your mortgage!



**COME UP WITH A
GAME PLAN**



95% of potential homebuyers don't know where to start

REMEMBER-knowledge is power, and everyone has different starting points. There are some clients that come in and are ready to be pre-approved the first meeting. A larger percentage need help getting there. Meeting with a loan officer in advance to discuss your credit history, employment history, and sources of funds to purchase your home will eliminate a large majority of potential issues that may arise during the mortgage process

- During this meeting pull your credit, have your loan officer go over any potential issues or concerns you may have. This allows you time to work on any items that may raise your scores to get you the best rate possible. Most of the time there are small changes you can make that drastically change your score.
- If you are self employed, make sure that you share your plans to buy a home your tax preparer as soon as you know so that they can ensure you are not writing off too much income
- Talk with your loan officer about how much you will need for down payment and closing costs. While these figures will not be exact it will give you a good starting place
- Once you have an idea of the funds you need then discuss the plan to get there. The loan officer can tell you what are acceptable sources of funds



**PRE-APPROVAL “A MUST”
PART OF THE PROCESS**



Pre-Approval Meeting with your Loan Officer

- It allows the loan officer and you to talk about what your needs are, what your comfortable payment range is, your financial disposition and what you qualify for per the underwriting guidelines
- It allows your loan officer to prepare you for what to expect during the loan process and what our ever-changing industry requirements are. Information is often outdated on the internet since things change so much.
- The pre-approval process is only as good as what both sides put into it. It is always good to pull credit at that time as well as bring any documents you can gather for your appointment. The more documentation you bring with you, the less likely that something was overlooked or missed because the loan officer forgot to ask, or you forgot to tell them. If there is anything quirky or unique about your situation it is always best to be upfront about it, that way if there is some way around it the loan officer will be able to tell you before you are under contract.
- Once pre-approved then you will know what sales price range you should be looking at as well as that letter tells potential sellers that you are serious and have done your homework.



**I AM UNDER CONTRACT-
NOW WHAT?**



Under Contract-Now what?

- Provide your contract to your loan officer as soon as it is executed
- Make formal loan application and sign disclosures within 5 days of signing your contract.
- Make sure that you schedule your home inspection if you desire to have one
- Start shopping for insurance so that you are ready to bind coverage once your loan is approved.
- Provide all requested documents to your lender as quickly as you can
- Your loan will be submitted to underwriting for review and approval
- Once loan is approved bind your insurance and provide any requested items on your loan commitment
- Underwriter will issue your final approval also known as your CLEAR TO CLOSE
- Closing day has arrived!



CREDIT WHAT YOU SHOULD KNOW



Helpful Credit Facts to Increase your scores

- Try to keep your outstanding balance to credit limits on revolving accounts at 40% or below
- Do not close your revolving accounts when you pay them down to zero. Closing accounts can negatively impact your credit scores and credit depth
- Credit management and debt management companies cannot do any for you that you cannot do yourself. Remember that debt management and accounts settled for less than owed is a potential red flag to an underwriter
- Do not dispute accounts just to see if they will be removed. This will create a mess for you later down the road when you apply for your mortgage. Every account you dispute must be resolved prior to closing and reflected as so on your credit report. Big NO-NO
- If you have collections on your credit report, first try to go back to the original creditor to see if they will accept payment in return for cancelling the collection with the collection agency. Second if they will not, then try to negotiate an agreement with the collection agency that they will remove the collection upon payment in full. GET IT IN WRITING!
- Limit applying for new accounts and multiple credit bureau inquiries on your report. Too many new accounts and too many inquiries hurt your credit scores
- Late payments and collections in the last twelve months affect your credit scores more than older ones. However, a history of slow payment and credit default is a red flag to an underwriter.
- If you have had a bankruptcy, make sure that everything included in your bankruptcy is reflecting correctly on your credit report. When an account is included in bankruptcy, the law requires that credit to remove the payment history, the balance and all they are allowed to report is included in bankruptcy. If you filed a Chapter 7 case and reaffirmed a secured debt that account should not be labeled as included in bankruptcy
- If you have little to no credit, secured credit cards are a great way to help build credit just make sure you pick one that reports to all three credit agencies and is reputable. Authorized user accounts help as long as whoever owns the credit card uses it responsibly.
- **If you know you are in the market to purchase a new home in the next 12 months guard your credit rating like you would your most prized possession. Try to limit inquiries, new accounts, if you receive a bill you don't believe you owe-it is always best to pay it and then dispute it with the creditor directly. One \$50.00 medical collection can potentially drop your credit score 100 points**



INCOME AND HOW IT IS CALCULATED



Income and how it is calculated

Self Employed/1099/Tip/ Commission/Rental Income

- Self employed borrowers even if you pay yourself with a W-2 is calculated by averaging the net income on the two most recent years tax returns, adding back depreciation and one-time losses that can be proven
- If more than 25% of your income is derived from tip or commission income you are considered self employed from a lending perspective. You must have a two-year history of receiving the income and it is averaged by your current to date paystub plus your two most recent years W-2's
- 1099 subcontractor income is calculated by averaging the net income figures on your two most recent personal tax returns adding back depreciation and one-time proven expenses.
- Rental Income: It is calculated by averaging the net income claimed on the Schedule E of your tax returns for the two most recent tax years adding back depreciation and one-time proven repairs

Salary or hourly employees

Salaried employees income is calculated by dividing their annual gross salary by 12. We subtract out any 2106 expenses claimed on your tax return Schedule A

Hourly employees income is calculated by multiplying the gross hourly rate by the number of hours they work per pay period. If they work a different number of hours each pay period, then the number of hours used then we average the income based on the paystubs and last two years W-2's.

Second job income: Must have a two-year history of working a second job for it to be considered and it is calculated by averaging the gross year to date income plus prior two years W-2's

Bonus Income: You must have a proven two-year history of receiving bonus income for it to be used. This income is averaged over based on the last two years bonuses received

Pension/Disability/SSI income: Can be used if it is likely that it will continue for at least 3 years and is calculated based on the most recent years gross amount divided by 12. If this is non-taxable income it can be grossed up 25%



FUNDS USED FOR DOWN PAYMENT AND CLOSING COSTS

Assets used for down payment and closing costs

Acceptable Sources

- Verifiable funds in your bank accounts
- Gift funds from a parent, grandparent, aunt, uncle, sibling, spouse or a person who has a vested interest in you.
- Withdrawal of funds from a retirement account
- Loan from your 401K
- Proceeds from a secured loan from an institution
- Sale of personal property such as a car etc. Must have a bill of sale and paid by check
- An approved community second mortgage program such as SHIP
 - Proceeds from the sale of real estate
 - Inheritance / Settlement funds
 - Seller can pay borrowers closing costs

Unacceptable sources

- Cash unless seasoned in your bank account for 90 days prior to loan application
- Gifts funds from unacceptable sources
- Unsecured loans or credit cards
- Unacceptable down payment assistance programs
- Foreign funds that have not been transferred into the US 30 days prior to closing. Must be able to provide source of these funds and must be your own
- Funds from your business account is strongly frowned upon and requires a CPA letter to be considered on a case-by-case basis



INSURANCE-WHAT IS IT ALL ABOUT



INSURANCE-NOT ALL HOUSES ARE CREATED EQUAL

- Insurance has a huge influence on your monthly payment as well as your purchasing power. More so that loan amount and/or mortgage rate. Why is this? In Monroe County, we are required to carry windstorm, flood and hazard insurance. It is important to get quotes as quickly as you can after going under contract
- A home can qualify for up to a 40% discount on windstorm insurance. Those discounts include hurricane rated shutters for each window or door or hurricane rated impact resistant windows as well as newer roof discounts and straps.
- If you are in a flood zone, flood insurance is required. Whether the home you are buying has an existing flood policy in place plays a big factor on your annual premiums.
- Homeowner's insurance rates vary depending on the age of the home and whether it has been updated.



CLOSING COSTS

Closing costs what does all of this mean?

- **Bank Fees:** These are costs your lender charges you for your loan these include discount/origination points, credit report, tax service, flood certificate, courier fees, lender admin fee, processing fee, underwriting fee, closing fee.
- **Title fees:** These are the fees the closing agent charges you to close your loan, make sure the property is free and clear of liens and for title insurance incase something pops up after closing. These include closing fee, title search, title exam, courier fee etc
- **Appraisal fee:** Is the cost the appraiser charges to value your property and prepare a report for you.
- **Survey Fee:** This is a fee charged by a surveyor to layout a drawing of where your home sits on your lot as well as property boundaries.
- **Recording fees:** the cost to record your mortgage with clerk of court
- **Doc stamps/Intangible taxes:** taxes you pay to the State of Florida due to us not having State Income Taxes
- **Pre-pays** anything you pay in advance such as your insurance for the first year
- **Escrow account:** With FHA, Bond and VA you are required escrow your taxes and insurance which means each month you will pay pro-rated portion of the taxes/insurance with the mortgage payment so that when it becomes due the lender can pay it for you.

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QUESTIONS?

