



# YOUR PATH HOME STARTS HERE

## HOME BUYER'S GUIDE

A home isn't just a roof over your head – it's where your next chapter begins.

Buying a new home is an exciting decision, and we're here to help you navigate the mortgage process so you can move forward with confidence.

**LET'S START YOUR  
JOURNEY FROM HOME  
BUYER TO HOME OWNER.**

# WHAT'S YOUR PLAN?

Buying a home is likely the most important financial decision you will make.

**We want you to take control of your home buying experience by knowing what to expect.**

## WHY BUY A HOME?

Purchasing a home allows you to invest in your future. Benefits of home ownership include:



**INDEPENDENCE FROM A LANDLORD AND THE FREEDOM TO MAKE YOUR SPACE YOUR OWN**



**THE OPPORTUNITY TO BUILD EQUITY**



**POSSIBLE TAX SAVINGS**



# TOP 10

## Dos and Don'ts When Getting Ready for a Mortgage

Even something that may seem inconsequential could have an impact on your mortgage approval. Avoid any challenges by following these rules:



✓ **DO** Pay your bills on time.

✗ **DON'T** open new credit cards, apply for loans, or co-sign on loans.



✗ **DON'T** buy or lease a new car.



✗ **DON'T** transfer large sums of money between bank accounts.

✗ **DON'T** switch from a salaried job to a heavily commissioned job or 1099 independent contractor position.



✗ **DON'T** accept a cash gift without the proper gift paperwork (check with your loan officer for details).



✗ **DON'T** close any credit card accounts.



✗ **DON'T** make any undocumented withdrawals from your bank account.

✗ **DON'T** quit your job to change industries or start a new business.



✗ **DON'T** make big purchases on credit cards.



# WHAT CAN YOU AFFORD?

## CALCULATING AFFORDABILITY:



Use this handy budget tool to begin reviewing your finances and calculate your budget.

**FILL OUT THE CHART, THEN CALCULATE YOUR MONTHLY HOUSING MARGIN IN STEP 4.**



## STEP 1 MONTHLY INCOME & ASSETS

INCOME	EXPECTED AMOUNTS
Salary	\$
Trusts	\$
Bonds	\$
401k	\$
Savings	\$
Alimony	\$
<b>TOTAL</b>	\$

## STEP 2 MONTHLY EXPENSES

EXPENSES	YOUR LIST	MONTHLY EXPENSES
Fixed		\$
Loans		\$
Credit Cards		\$
Utilities		\$
Insurance		\$
Donations/Dues		\$
Medical		\$
<b>TOTAL</b>		\$

### STEP 3 MONTHLY SPENDING

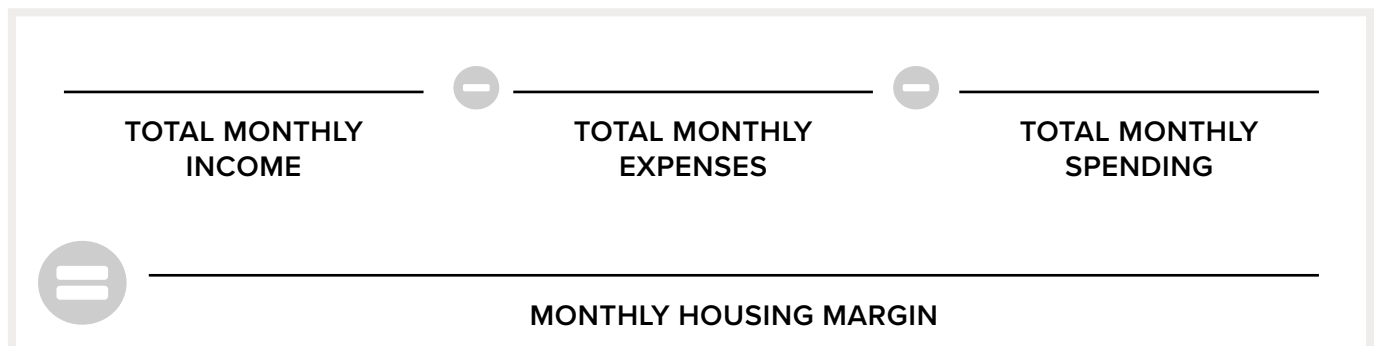
SPENDING	YOUR LIST	MONTHLY SPENDING
Transportation		\$
Food		\$
Clothing		\$
Household		\$
Miscellaneous		\$
Savings		\$
<b>TOTAL</b>		\$

✓ **HOME BUYER TIP CALCULATE YOUR HOUSING GAP.** This is the difference between what you are currently paying for housing and what you plan to take on with your home purchase. You should be saving your gap amount each month and putting it into a savings account. For example: an expected house payment of \$2000 minus your current rent of \$1200 = a housing gap of \$800 monthly. If you get in the habit of saving that \$800 each month, you will avoid the painful “payment shock” that many home buyers experience because you will have practiced managing your budget with your new payment. Plus, once you close, you’ll have some money set aside that you can use for home repairs, maintenance, debt reduction, or other unexpected expenses.

### STEP 4 CALCULATE YOUR MONTHLY HOUSING MARGIN

Your monthly housing margin shows the cash flow you have available for monthly housing expenses (which can include principal, interest, taxes, insurance, mortgage insurance, HOA dues, etc.).

This worksheet is meant to be a reference for helping you plan your housing budget; however, please note that your loan application will be subject to the Debt-To-Income (DTI) ratio requirements of the loan program for which you apply. Check with your loan officer to learn more about the DTI requirements that apply to your specific situation.



Now that you’re a wizard with your finances, stick to your plan and achieve your home ownership goal! Home ownership is an awesome way to build long-term wealth and financial stability. Your future self will thank you.

# WHAT WILL YOU OWE EACH MONTH?

PRINCIPAL | INTEREST RATE | ESCROW ↗

## WHAT GOES INTO THE COST OF A LOAN?

A loan is much more than your monthly payment – you need to factor in the cost of getting a mortgage.

The costs associated with buying a home can be organized into three basic categories: home costs, mortgage costs, and real estate costs.

- \$ **Home Costs** The price of the home you agree to
- \$ **Mortgage Costs** The price you pay to borrow money from the lender
- \$ **Real Estate Costs** Ongoing taxes, maintenance, etc.



### PRINCIPAL

Goes toward paying down your loan



### INTEREST RATE

A fee for borrowing money



### ESCROW

Includes insurance and taxes and can change because real estate taxes and insurance costs can change from one year to the next.

## MORTGAGE COSTS EXPLAINED

Check with your loan officer to learn about exact fees that will apply to your loan, but some of the fees that may be included in your closing costs are:

- |                               |  |                     |
|-------------------------------|--|---------------------|
| \$ Points                     | \$ Credit report fees                      | \$ Tax service fees |
| \$ Government recording costs | \$ Title services (insurance, search fees) | \$ Survey fees      |
| \$ Appraisal fees             |  | \$ Attorney fees    |

**Closing costs vary, but they average between 2% and 6% of the sale price, and they are required in addition to your down payment.**

# WHAT LOAN PROGRAMS ARE AVAILABLE?

## CONFORMING LOANS

Conforming loans are the most popular amongst home buyers. To qualify for a conforming loan, your loan amount will need to be lower than the conforming loan limit in your area.

### BENEFITS INCLUDE:

- Lower interest rate and fees
- You can cancel your private mortgage insurance (PMI) once you have 20% equity in the property. PMI is required if your loan amount is more than 80% of the purchase price or appraised value (whichever is lower) of the home you buy.
- Backed by Fannie Mae and Freddie Mac

### Who are Fannie Mae and Freddie Mac?

Fannie and Freddie provide a secondary market for mortgages, allowing lenders to sell loans, which frees up capital to lend again. These agencies purchase various types of mortgage loans that fall below the conforming loan limit.

### CONFORMING LOAN LIMITS

The national conforming loan limit, which is followed by Fannie Mae and Freddie Mac, is an average set by the Federal Housing Finance Agency. Loan amounts that are higher than the conforming loan limit are considered 'Jumbo' mortgages. Some U.S. counties are designated as high-cost areas and have a higher conforming loan limit to accommodate higher housing costs within those areas.



## JUMBO LOANS

When a loan exceeds the conforming loan limit for a specific area, it is considered jumbo or nonconforming.

### HOME BUYERS WHO ARE ELIGIBLE FOR JUMBO LOANS TYPICALLY HAVE:

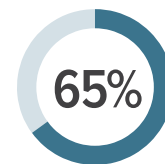
- ✓ Higher income, more savings
- ✓ Better credit scores
- ✓ Larger down payments
- ✓ Ample documentation that supports financial health

# WHAT IF YOU DON'T HAVE 20% SAVED?

If you don't have enough cash for a 20% down payment, you still have options.

## FANNIE MAE AND FREDDIE MAC OPTIONS

- ▶ Fannie Mae provides a 3% down\* option that helps creditworthy buyers who may not have the funds for a larger down payment.
- ▶ Fannie Mae's HomeReady® program is for home buyers with limited cash for a down payment and lower credit scores.
- ▶ Freddie Mac Home Possible® mortgages offer flexible credit requirements, as well as low down payment options with a maximum 97% LTV\* (See payment disclaimer below).



**of all first-time home buyers** recently purchased their homes with a down payment of 6% or less.

## GOVERNMENT-BACKED LOANS

**FHA Mortgages** This government-backed mortgage loan accommodates buyers with limited cash for a down payment and/or lower credit scores. FHA loans require a low down payment of only 3.5%\*\* (See payment disclaimer below). Because FHA loans are backed by the government, they require mortgage insurance.

The terms of how long mortgage insurance is required for FHA loans depends on the down payment amount. The general guideline is as follows: for a down payment of less than 10%, MI will last for the life of the loan; if the down payment is 10% or greater, MI will last for 11 years.

## VA HOME LOANS & USDA HOME LOANS

These specialized programs do not require a down payment, although borrowers are responsible for paying their own closing costs.

You may be eligible for a VA loan if you're active-duty military, a veteran, a member of the National Guard or Reserves, or the spouse of an eligible veteran. Qualifying for a USDA loan requires purchasing a property in an eligible rural area.

\*Sample loan scenario shown for educational purposes (rate may not reflect current market conditions): Sales Price: \$350,000; Loan Amount: \$339,500; Down Payment: \$10,500; Fixed Interest Rate: 3.5%; Annual Percentage Rate (APR): 4.53%; Principal and Interest Payment: \$1,525 (payment shown does not include taxes and insurance); MI: \$340; Purchase Transaction; 740 Credit score; Single Family Residence.

\*\*Sample loan scenario shown for educational purposes (rate may not reflect current market conditions): Sales Price: \$350,000; Loan Amount: \$343,660; Down Payment: \$12,250; Fixed Interest Rate: 3.875%; Annual Percentage Rate (APR): 5.062%; Principal and Interest Payment: \$1,616 (payment shown does not include taxes and insurance); MI: \$239; Purchase Transaction; 740 Credit score; Single Family Residence.





# MORTGAGE APPLICATION CHECKLIST

After you've worked with your loan officer to decide which loan works for your situation, you'll have to start gathering all the necessary paperwork for your application.

## EMPLOYMENT & INCOME INFORMATION

- Two years of employment history including job titles, dates of employment, employer's address and phone numbers.
- If you're a wage earner, we'll need pay stubs for the most recent 30 days and your W-2s from the last two years.
- If you are self-employed or receive most of your income from commissions, we'll need copies of federal, personal, and business tax returns for the previous two tax years including all 1099s, K1's, and all schedules. If filing an extension, please provide extension.



## PERSONAL ASSETS/ FINANCIAL STATEMENTS

- **Most recent two months (or quarterly) bank statements for all accounts** — checking, savings, and investment accounts (all pages even if blank).
- **Most recent two months (or quarterly) retirement account statements** (all pages even if blank).
- **Copy of earnest money check** when it clears your bank account, along with the most recent bank statement showing that the check has cleared.
- **Non-payroll deposits:** we may need to verify the source/ document explanations for non-payroll deposits to your accounts, including transfers between accounts. If required, we'll ask you to provide copies of any deposited checks.



## RESIDENTIAL HISTORY, RENTAL AND OWNED

- Your residential address for the previous two years.
- If you're refinancing your home or keeping it as a rental property, please provide the most recent mortgage statement.
- Please provide a list of your current real estate holdings, including property address, current market value, mortgage lender's name and address, loan account number, balance and monthly payment. We'll also need tax certificates, evidence of insurance, and an HOA dues statement for these properties.
- Name and phone number of your homeowners insurance agent.
- Sales contract for the property you are buying (if you are already under agreement).



## IF APPLICABLE, THESE ITEMS MAY BE NEEDED:

- Complete divorce decree and/or separation papers.
- Alimony and/or child support income: proof of receipt may be required.
- Bankruptcy discharge papers (including filings, discharge, and list of creditors).
- If receiving retirement or Social Security income, award letter and proof of receipt may be required.
- If you're refinancing, you may need to provide a copy of your note.
- **Gifts:** if you're using gift funds to pay any portion of your down payment or closing cost, please CALL US because the documentation required for gifts is fairly comprehensive.
- Once we review your credit, we may need a signed letter of explanation and/or documentation for any inquiries and/or derogatory credit. Other documentation may be required once your file has been underwritten.
- VA form DD214 (for veterans eligible for the VA loan benefit).



# HOW CAN A PRE-APPROVAL BENEFIT YOU?

There's a difference between being qualified and being approved for a loan. It's important to understand what each means and how they can impact your home buying experience.

1

## Pre-qualification

**STRENGTH: LOW**

This level of qualification is great for the budgeting phase of the home buying process and is generally enough to start looking for homes with your real estate agent. But in competitive markets, agents may not help you shop around until you have a pre-approval.

### PROS

- ✓ Pre-qualification is an easy assessment of how much you can afford.
- ✓ Completing the process is simple because the information is self-reported and not verified by the mortgage provider.

### CONS

- ✗ Numbers verified later in the process might differ from self-reported numbers, which could impact the actual amount you'll qualify to borrow.
- ✗ The mortgage provider is under no obligation to provide financing.

2

## Pre-approval

**STRENGTH: MEDIUM**

In addition to the self-reported information gathered for pre-qualification, your mortgage provider will examine your credit and check your eligibility for certain loan types.

### PROS

- ✓ Shows a level of intent that many sellers and agents require, which can be useful in a competitive market.
- ✓ You can move quickly and compete more effectively against home buyers who have not been pre-approved for financing.
- ✓ Easier to complete your application once you're ready to move forward.

### CONS

- ✗ The lender still needs to complete a more in-depth review before making a final commitment to fund your loan.

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## Tru Offer Approval

**STRENGTH: HIGH**

A Tru Offer approval from our team is the closest to a full approval that you can get (which also means it requires the most effort to secure). At this rigorous level of qualification, you'll need to gather and submit supporting financial documents which will be reviewed by our underwriting team to determine if you meet the credit, income, and asset requirements for funding the loan.

### PROS

- ✓ Demonstrates to sellers and agents that your offer is strong.
- ✓ Streamlines the documentation process, reducing the time required to receive an underwriting decision.
- ✓ A Tru Offer approval speeds up the process after the purchase contract is signed because your full documentation has already been collected and approved by the lender.

### CONS

- ✗ The process takes effort; you must provide comprehensive documentation to verify your income, assets, and credit history, and you must complete your mortgage loan application.

# HOW DO YOU START AN APPLICATION?

## Connect Borrower Portal

Our Connect borrower portal makes it easier for you to upload documents, track progress, and complete the application process.

### CONNECT PROVIDES:

- ✓ Consumer-driven technology with maximized efficiency
- ✓ Reduced time and effort
- ✓ Simplified application process
- ✓ Secure document management
- ✓ Loan status updates



### LOAN OFFICER COLLABORATION

Your loan officer will work with you throughout the loan process to ensure all necessary documents are submitted for your application. Once all the documents have been collected, everything will be submitted to underwriting.



**Talk to your loan officer to get access to Connect.**



# WHAT HAPPENS AFTER THE APPLICATION IS COMPLETE?

## 1 The Loan Processor Orders an Appraisal and the Title Report

- **APPRAISAL:** the appraisal determines the value of the home. An independent, third-party appraiser reviews market data in the area and examines the property to identify what the home is worth.
- **TITLE REPORT:** a title report provides you with an ownership history of the property and a record of claims or liens against it.

## 2 Underwriting

Once all your documentation has been compiled, the file is sent to underwriting to determine if your loan application will be approved. Occasionally, more information is requested to complete the file. If everything is satisfactory, your application will be approved.

## 3 Closing Disclosure

This form provides the final details about your loan. You should have at least three business days prior to closing to review the Closing Disclosure and ask any questions.

# WHAT HAPPENS AT CLOSING?

You're almost finished with the home buying and mortgage process. There's just one final step — closing!

Closing is a big deal and worth understanding and celebrating.  
Be prepared to review and sign a lot of paperwork.

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## Be a savvy mortgage borrower.

- Prepare for your closing in advance to feel confident on the big day.
  - Pay attention to critical closing details to ensure you are aware of every aspect and are receiving what you expected.
  - Be completely aware of and confident in what you are signing.
  - Ask questions throughout the process until you are comfortable with every detail.
- 

## Bring your eagle eyes to closing.

You'll want to pay close attention to the Note and Deed of Trust, **triple-checking these details:**

- Loan amount
- Interest rate
- Payment term and loan type
- Monthly payment
- Impound amounts for taxes and insurance
- Accurate date for first payment
- If you selected an ARM, make sure the terms of your variable rate match are accurate

When you are getting ready for your closing, go over the ***Before-Closing Checklist*** to make sure you feel prepared!

# BEFORE-CLOSING CHECKLIST

## CLOSING DAY.

Note where to be and on what date and time.

### WHO WILL BE CONDUCTING MY CLOSING?

Name \_\_\_\_\_ Phone \_\_\_\_\_  
 Settlement Agent     Closing Attorney (if applicable)     Escrow Agent     Other

### WHEN AND WHERE IS MY CLOSING?

Date \_\_\_\_\_ Time \_\_\_\_\_  
Address \_\_\_\_\_

## WHAT DO I NEED TO BRING TO MY CLOSING?

### WHAT DO I NEED TO BRING TO MY CLOSING?

- A cashier's check or proof of wire transfer for the exact amount of money you need to close.
- Important phone numbers
- Your Closing Disclosure. You should compare it to the final documents one more time.
- ID or driver license for you and any other co-borrowers who'll be signing
- A trusted friend, advisor, or lawyer, if you want an advocate at the table.
- Your co-borrower or the person who is co-signing your loan.
- Your check book, in case there are any last minute changes.

### HOW MUCH DO I NEED TO PAY AND HOW WILL I PAY?

\$ \_\_\_\_\_     Cashier's Check     Wire Transfer

## CLOSING DOCUMENTS.

Request your closing documents three days in advance.

### IMPORTANT DOCUMENTS YOU'LL SEE AT CLOSING:

- Your Closing Disclosure — by law, you must receive it three business days before closing
- Promissory Note
- Mortgage / Security Instrument / Deed of Trust
- Deed, document that transfers property ownership (purchase only)
- Right to Cancel (refinance only)

## CHECK DETAILS AND ASK THESE QUESTIONS.

Search for answers to these questions by comparing the closing disclosure and loan estimate. If you can't find the answers, ask your loan officer:

- Compare your Closing Disclosure to your most-recent Loan Estimate.
- Are the loan type, interest rate, monthly payment, and other key terms the same as I expected?
- Are there any fees that I don't understand or that have changed significantly?
- Do I have an escrow account? Do I understand how that works?

## DOUBLE CHECK THE REST OF YOUR CLOSING DOCUMENTS.

If you're unable to get the rest of your closing documents in advance, take the following list of questions with you to closing.

- Is my personal information correct on all of the documents?
- Do the key numbers (loan amount, monthly payment, interest rate) match exactly across all of my documents?
- What happens if I don't pay my loan?
- How can I exercise my Right to Cancel (refinance only)?

## GET ANSWERS TO THESE QUESTIONS AT YOUR CLOSING.

### HOW WILL I PAY MY PROPERTY TAXES AND HOME OWNER'S INSURANCE?

Included in my monthly payment     I have to pay them on my own

### WHERE WILL I SEND MY MONTHLY PAYMENTS?

### WHO SHOULD I CALL IF I HAVE QUESTIONS AFTER CLOSING?

# THE HOUSE IS YOURS! NOW WHAT?

**Now that closing is over, it's time to move in and celebrate!**

Don't forget that once you've settled in, we can still help if you have questions about renovation loans, home equity programs, or refinancing. We hope to be your lender for life and are always available for any questions you have about how to maximize the value of your home.



## AFTER-CLOSING CHECKLIST

### SAVE YOUR CLOSING PACKET AND PAPERWORK.

**Double check that your packet includes these important documents:**

- Closing Disclosure
- Promissory Note
- Mortgage / Security Instrument / Deed of Trust
- Deed, document that transfers property ownership (purchase only)
- Right to Cancel (refinance only)

### CHANGE YOUR ADDRESS.

- Bank accounts, investment accounts, and credit card companies
- Driver license and car insurance
- Cell phone company, health/life insurance, and other bills
- US Postal Service

### REVISE YOUR BUDGET AND PLAN FOR FUTURE EXPENSES.

- Include Homeowners' Association (HOA) fees, and if you don't have an escrow account, property taxes and home owner's insurance.
- Settle in to your new budget for a few months before making major unplanned or non-essential home repairs or renovations.
- Set aside money each month in an emergency fund to cover essential repairs or loss of income.

### REVIEW AND UNDERSTAND YOUR HOME OWNER'S INSURANCE.

**Contact your insurance company with questions or changes.**

- Does it cover floods? Earthquakes? Other disasters?
- Could you get a discount for having smoke alarms or if you get your car insurance with the same company?
- Could you save money by increasing your deductible?

### WATCH OUT FOR THESE CHANGES.

**Changes in your monthly payment.**

- Even if you have a fixed-rate loan, your total monthly payment can change if your taxes or home owner's insurance go up or down.

**Servicing changes.**

- The "servicer" is where you send your mortgage payments, and your servicer might change. If your servicer changes, you'll get a change-of-servicer notice in advance.



**Ready to reach your home ownership goals? Contact me today.**



**Milestone.Loans**

Cutting Stone, LLC, dba Milestone Mortgage Group NMLS #2033067.

