



HOME BUYING GUIDE

WITH KELLE WALTERS



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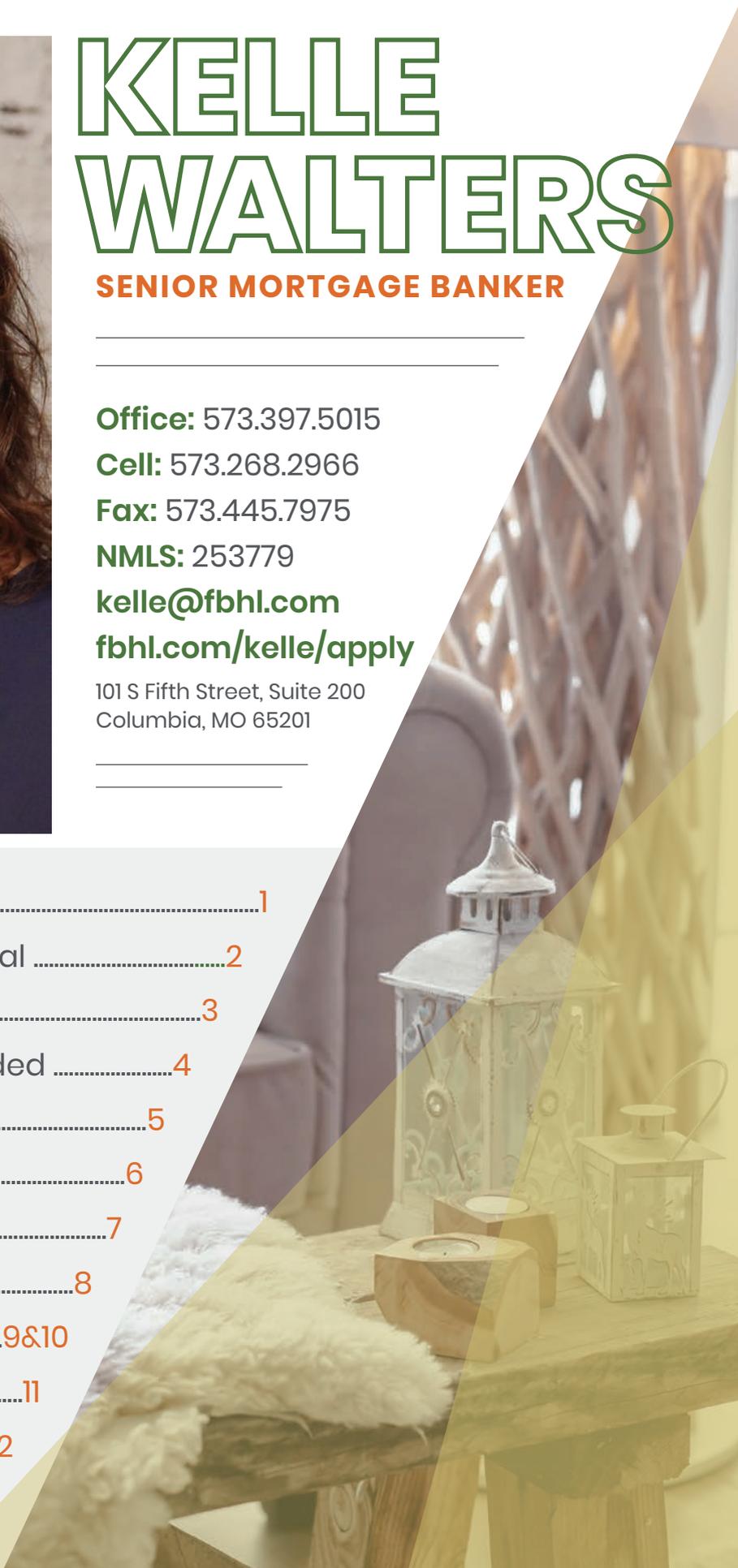
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Benefits of Pre-qualification	1
Pre-qualification vs Pre-approval	2
Before You Apply	3
General List of Documents Needed	4
Choosing a Loan Program	5
What is PMI?	6
Loan Programs	7
Make an Offer	8
Contract Timeline	9&10
Prepare Clear to Close.....	11
Soft Pull of Credit	12
Clear-to-Close	13





GET PRE-QUALIFIED

BENEFITS OF PRE-QUALIFICATION

- Know the price range you can comfortably afford.
- Know the monthly payment amount tied to that sales price.
- Have the power to make an offer on a home - sellers usually want to see a prequal letter accompany any offer.
- You have the comfort of getting all the legwork done upfront, such as gathering documents like pay stubs, bank statements, W-2s, or tax returns, etc.; sign credit authorization forms and have documents reviewed by your loan officer.

Being **pre-qualified** means you've talked to a prospective lender, had your complete loan application taken, and had your credit report pulled and reviewed. You have also ran some basic monthly payment scenarios under at least one loan program. From the information you verbally give to the lender, the loan officer can tell if you are pre-qualified for a certain sales price, down payment, interest rate and loan program, etc. You may be asked to provide some preliminary documents during pre-qualification.

However, when you are **pre-approved** it means you have gone to the next level and submitted all your written documentation (pay stubs, W-2s, bank statements, tax returns, etc.) and it's been reviewed by an underwriter. In Mid-Missouri, pre-qualification is generally all you need before making an offer.

PRE-QUALIFIED VS PRE-APPROVED WHAT'S THE DIFFERENCE?



BEFORE YOU APPLY

You need to know:

- Your complete 2 year address/rent history with dates, landlord information and amount of rent paid.
- Your complete 2 year employment history including address and phone number for each employer, job title(s), your pay and the hire date to end date.
- Your rate of pay for current employment, whether it's salary, hourly rate, commission, bonus pay or some combination of these.
- Approximate balance in asset accounts, such as savings and checking accounts.
- Declare whether you intend to occupy the home as your primary home or if you plan to buy this home as an investment property (rental) or second home.
- Some loan programs require you to disclose how many persons will live in the household and total household income (regardless if the other household members are on the loan, they may have to disclose how much money they earn or receive.)

INITIAL PRE-QUALIFICATION CAN BE DONE:

- On the phone (30 minutes).
- In person (1 hour).
- Online at your convenience (with follow up via phone, email or in person)



General List of Documents Needed for the Process:

- Your photo ID and social security card
- Pay stubs that cover the most recent 30 days of pay
- Most recent 1 year W2, 1099 forms
- Most recent 1 year federal income tax return
- Most recent 2 months of bank statements

Depending on the loan program, we may need additional documentation



CHOOSING A LOAN PROGRAM

Select a loan program based on your individual needs and circumstances.

- Do you have your own down payment funds or gifted funds?
- Where do you want to buy (inside city limits or in a rural area)?
- Will you need a co-signer to qualify?
- If you are a veteran, you may qualify for a VA loan.
- What type of property do you want to buy: house on acreage, single family, duplex, condo or earth contact?

If you have less than 20% down that's ok. There are plenty of loan options with lesser down payments.

WHAT IS PMI?

Apply at fbhl.com/kelle/apply

PMI stands for private mortgage insurance. This plays an important part in the home loan process. PMI is insurance a lender requires you to pay as either part of your monthly payment or upfront as a closing cost (or sometimes both). This insurance protects the lender against loss if you default on your

loan. When you don't have 20% of the sales price as a down payment, you will be required to pay some form of PMI. With PMI, however, buyers can buy homes with varying amounts of down payment funds and sometime with no down payment funds at all! Each loan program deals with PMI differently.



WHAT DETERMINES THE COST OF PMI?

- Loan program chosen
- Down payment, if any
- Credit score
- Debt-to-income ratio

*On a conventional loan we offer the Single Premium PMI option so that you don't have to pay PMI in your monthly payment.

LOAN PROGRAMS

We can help you choose the best loan program for your situation. In addition to conventional loan programs, there are government backed loan programs such as:

- FHA
- VA
- USDA

There are also first-time homebuyer programs that provide down payment assistance. Even if you are not a first-time homebuyer, you can possibly qualify for down payment assistance. The Missouri Housing Development Commission (MHDC) and some local cities offer down payment assistance programs. Flat Branch also offers exclusive perks to those who serve our community. Please ask us about it!

When you find a property you want to make an offer on, your realtor will help you draw up and submit the offer.

When your offer is accepted, this means you are “under contract.” We (you as the buyer, the realtor, the loan officer and the title company) now must operate on a specific timeline:

- **Inspections**
- **Notifying the seller of any items you want addressed from the inspections**
- **Appraisal**
- **Loan commitment**

We work together with your realtor to meet these contract milestones as outlined above.

After you are under contract, you will have preliminary loan disclosures to sign. The Loan Estimate (LE) is part of that upfront set of disclosures and is a very important document which must be disclosed to you within 3 days of us receiving your finalized contract.

MAKE AN OFFER

UNDER CONTRACT



MEET CONTRACT TIMELINE

1 ORDER YOUR INSPECTIONS:

Typically the first thing you do once under contract is order your inspections. You have a certain number of days, as per your contract, to complete your inspections and then to notify the seller of any items you want repaired, addressed or clarified, etc., relating to the condition of the property.

2 NEGOTIATE ANY INSPECTION REPAIRS:

Sometimes certain items discovered during inspections are items the lender would require be repaired to comply with loan guidelines; for example, if the inspector recommends installation of GFCIs (ground fault circuit interrupters) in the kitchen and bathroom, this would be required to be done by closing if you are doing any type of government loan (VA, FHA or USDA). When an inspector or appraiser require items be addressed or fixed relating to safety, it's a good idea to assume the lender does too, and they need to be fixed prior to closing.

THINK AHEAD!

Funds due at closing need to be certified

- Do you have a local bank?
- Will you get a cashier's check?
- Will you use a wire transfer?

3

SUBMIT ANY OUTSTANDING ITEMS TO YOUR LENDER:

During this time, you should submit any outstanding items your lender has requested to work toward full loan commitment. These items are referred to as “conditions”. Full loan commitment means that your loan file has been fully underwritten and approved with little or no conditions outstanding. Examples of this could be an updated paystub or bank statement (because items you gave the lender during pre-qualification may have become outdated). Documents are all time-sensitive and some must be dated within a certain number of days prior to closing.

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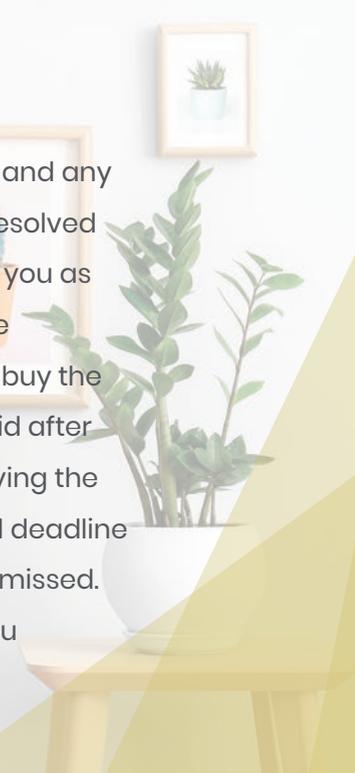
FINALIZE HOMEOWNER’S INSURANCE:

Finalize who you want to go with for your homeowner’s insurance (also called hazard insurance because it protects your home from hazard). This will need to be done for full loan commitment to be issued. Make sure you get insurance coverage bound for your new property with the effective date beginning on the closing date. Finalized coverage is different than just getting an insurance quote. Your insurance agent should be able to walk you through the coverages available, the deductible you want and finalizing your policy.

5

ORDER THE APPRAISAL:

Your lender should wait until your inspections are done and any resulting negotiations between you and the seller are resolved prior to ordering the appraisal. This is out of courtesy to you as the buyer. Why spend your money on an appraisal if the inspections went poorly enough that you decide not to buy the home? Both the appraiser and inspector want to be paid after they do their work, regardless if you actually end up buying the home. The contract you sign will also have an appraisal deadline which needs to be closely monitored so the date is not missed. It’s very important for your realtor and lender to help you manage this date!



PREPARE FOR CLEAR TO CLOSE

It is very important throughout the entire homebuying process that you do not change anything about your personal financial situation from the date you first applied. If changes have occurred, it's best to tell us right away. Let me know if any of these changes occur:

- Complete job change (going to a different employer)
- Becoming self-employed
- Taking a different position within the same company
- Changing from part-time to full-time status
- Changing from a salary to hourly pay or from salary to commissioned pay, etc.
- Having your hours on the job reduced or increased
- Taking on or dropping a second job
- Acquiring new debt
- Refinancing existing debt
- Getting married, divorced or otherwise changing your name during the homebuying process
- Moving money around from bank account to bank account or closing and/or opening bank accounts

ALL OF THESE CHANGES CAN SIGNIFICANTLY IMPACT YOUR ABILITY TO BE APPROVED FOR A LOAN!

CREDIT SOFT PULL

The mortgage loan approval process is more complex now than ever. New policies and procedures make it so that your credit is not only pulled and evaluated when you first apply, but again 10 days before closing. This credit pull right before closing is called a “soft pull”.

The purpose of this is not to look for a new score, but it gives an underwriter updated information about how your credit has changed from the date you first applied to the present. Specifically, what we are looking for is whether or not anyone else has pulled your credit.

Any company that pulls your credit will be listed and could indicate to an underwriter that you are in the midst of acquiring **new** debt that the we don't know about. We are also looking to see if there are any late payments. It's very important that you don't take on additional debts that were not part of your financial life when you first applied. It is also important to continue to make all your payments on time. Even if you are refinancing an existing debt to make the payment lower, we need to know!

NOTE: An Underwriter is the person who assesses all the risk with the home loan file: credit, income, assets, debts and the property. They are the person responsible for approving or denying a loan.



CLEAR-TO-CLOSE

Reaching this milestone is awesome! This means the underwriter has cleared all of the conditions for your loan and has issued a final approval. The file is then turned into the closing department to prepare for the closing. Our closing department works hand in hand with the title company to prepare the final numbers and documents.

PLACE UTILITIES IN YOUR NAME

It's always best to have the utilities transferred to your name before or on the day of closing. Most sellers will notify the appropriate service providers they will no longer own the property, so when you call as the prospective new owner you can transfer the service to your name. This is as opposed to having the sellers shut off the service which would cause you to have to activate new service which can be more costly.

FINAL WALK THROUGH

You and your realtor will make one last tour of the property before closing. This will allow you to make sure the property is acceptable before closing. This can be done the day of closing or a day or two prior.

REVIEW THE FINAL CLOSING DISCLOSURE

All transactions other than cash purchases are governed by the Consumer Finance Protection Bureau (CFPB). They dictate the format for the final closing disclosure (CD). This CD pulls together all the figures for the transaction. You should have access to the preliminary CD no earlier than 7 business days prior to close, but no later than 3 business days prior to close. This will be the time to review all the numbers to make sure everything is right. If you have prepaid for anything like inspections, homeowner's insurance, etc., this is the time to check to make sure you are not being charged again for these items on the CD. Be prepared to bring a photo ID to closing along with your funds due at closing, if any. If funds are due at closing, the final CD will show the exact amount. The title company requires funds be certified (no personal checks, no cash). Please make arrangements to get a cashier's check payable to the title company or arrange a wire transfer.



Flat Branch
HOME LOANS

Congratulations
YOU ARE A HOME OWNER!



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EQUAL HOUSING LENDER