

# FIRST TIME HOME BUYER'S GUIDE TO FINANCING



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## OVERVIEW

Purchasing your first home involves a lot more than finding a place to hang your hat. It involves long-term commitments, a sizeable investment, and great rewards. You will no longer write rent checks to pay off your landlord's mortgage. Instead, you will make monthly payments on your own mortgage – and you will gain valuable equity in the process.

Your home is likely to be one of the largest purchases you ever make, and few of us are able to simply write a check to cover the bill. The job of a mortgage lender is to provide financing to make the purchase possible. The job of a good mortgage lender is to ensure that the loan provided is sensible—that it can be manageably paid back by the borrower over time.

The goal of this guide is to make you an educated and confident home buyer. The guide

- explains the need for pre-approval and the pre-approval process,
- provides an overview of some common financing options,
- explains factors affecting pre-approval and loan qualification, and
- lists some of the documents needed when applying for a loan.

## THE MORTGAGE SOLUTIONS FINANCIAL MISSION

Mortgage Solutions Financial strongly believes every client should be served with integrity, dignity, and respect. Without compromise, Mortgage Solutions Financial is committed to providing loans that are in the best interest of our clients, not our bottom line. We will continue to educate the community by empowering our clients to make responsible and informed fiscal decisions that result in greater financial peace of mind.

# GET THE LOAN FIRST: PRE-APPROVAL

## Why Obtain Pre-Approval?

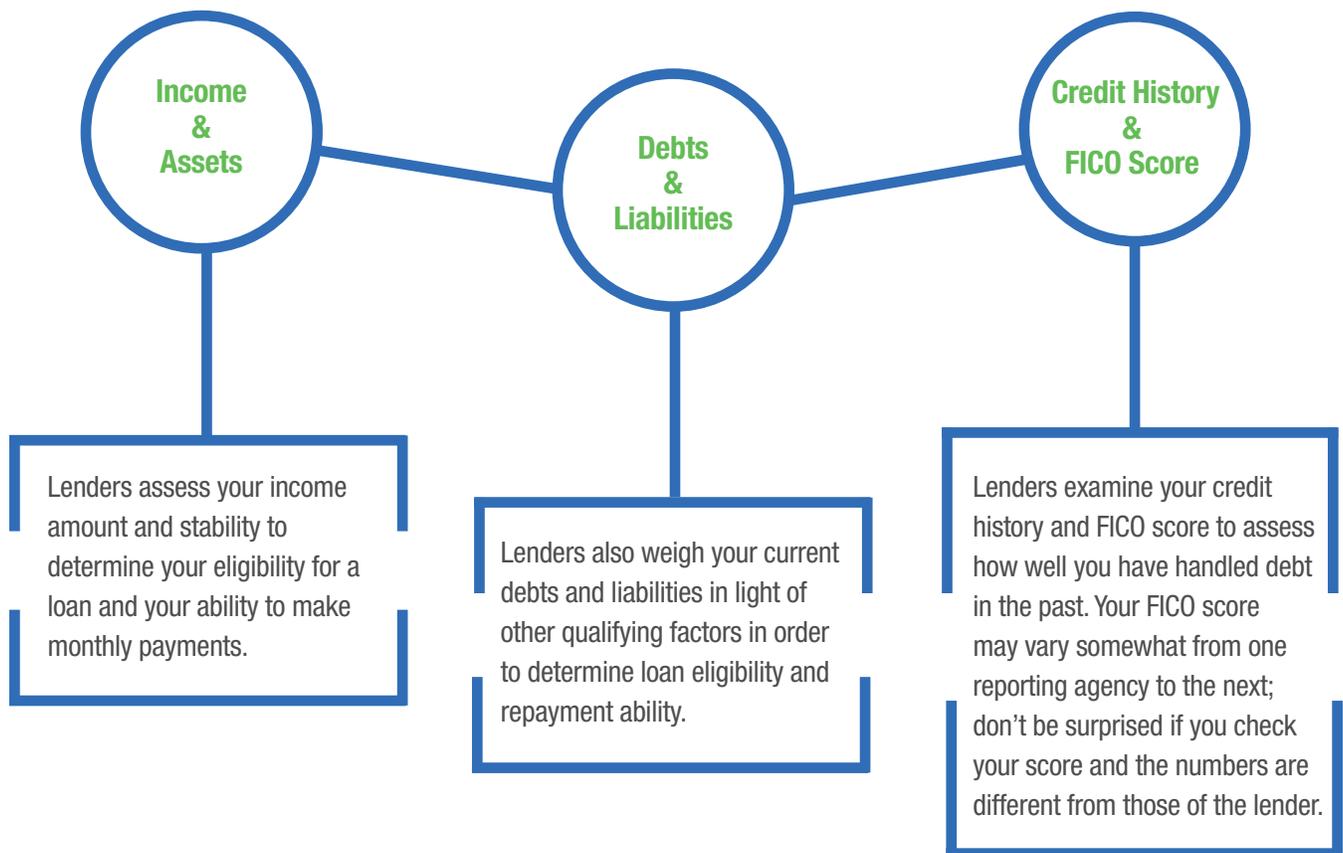
Common sense dictates that we should know what we can afford before we start shopping, and the home-buying is no different. For this reason, it is wise to get pre-approved for a loan before house-hunting.

Even if you think you know how much you can afford or the loan amount you will qualify for, solid numbers from a mortgage expert ensure a smoother process.

*House hunting is exciting but can result in disappointment if buyers set their hearts on a property that is out of financial reach.*

*Pre-approval gives you more clout in the eyes of realtors and sellers.*

There is no cost or commitment for pre-approval. Pre-approval is a straightforward process. Lenders base their determinations on a number of factors, including:



NOTE: Pre-approval is a necessary and valuable first step; however, you will complete a more detailed application later in the process to become fully qualified for a loan.

# WHAT IS FICO?

FICO is an acronym for the Fair Isaac Corporation. A primary function of FICO is to provide lenders with credit scores that help indicate a borrower's credit risk. Though the precise formula for scoring has not been made public, it is based on length of credit history, types of credit usage, new credit, existing credit debts, and payment history.



There may be loan options for borrowers with flawed credit histories or lower-than-ideal FICO scores. However, if your credit history is not in great shape, working to repair it—before attempting to finance a mortgage—may be strategic.

Ultimately, consulting with a mortgage expert will give you the best idea of your options in light of your FICO score.

## How can I determine how much my mortgage could be?

### Use our free mortgage calculator.

Calculating a mortgage can be a complex process. Know the numbers without all the head scratching. Visit the Resources section of the Mortgage Solutions Financial website at [www.mortgagesolutions.net](http://www.mortgagesolutions.net) to access a mortgage calculator. This free, zero-commitment tool and many other resources offered on the site will help guide you through the financing process. These tools provide general information; work with a Mortgage Solutions Financial expert to get actual numbers.

# IMMEDIATE CASH REQUIREMENTS

Although some mortgage options require zero money down, most require cash on hand for the down payment, closing costs, and mortgage/lender fees.

## Down Payment

Any money you put toward your down payment will reduce the principal amount of the loan, therefore lowering your monthly payments and possibly your interest rates.

You may be required to make a down payment that equals a specific percentage of your home's purchase price. The percentage required may be dictated in part by factors—such as your FICO score, income, assets, and debts—that are considered during the qualification process. The type of loan you seek will also affect the amount of the required down payment.

As a general rule of thumb, mortgages obtained with less than 20% down will require the purchase of PMI, or Private Mortgage Insurance. PMI, which serves as a safeguard for lenders, will be figured into your monthly payments.

Where you obtain your down payment may also have bearing on your approval and interest rates. For example, money received as a gift from a family member is perfectly acceptable, but money from your personal savings account presents a lower risk to the lender.

## Closing Costs and Mortgage/Lender Fees

At the time of closing, certain fees and closing costs should be expected, though they vary, depending on a range of factors. Costs and fees can be confusing, but your Mortgage Solutions Financial expert will explain any charges and answer all of your questions.

Occasionally, lenders will omit certain fees or sellers will agree to cover portions of the costs. However, closing costs and fees typically range from 3%–5% of the total mortgage amount. Charges may include:

- General Loan Fees
- Insurance
- Taxes
- Title Charges
- Government Recording Charges
- Application Fees

# LOAN OPTIONS

Speaking with a professional is the best way to determine which loan is the best fit for you and your family. This section outlines only a few of the most common loan options available.

## Fixed Rate Mortgages

With a fixed rate mortgage your interest rate stays the same throughout the course of the loan's maturity. Your total payment toward interest and principal will not change from month to month.

## Adjustable Rate Mortgages

Adjustable rate mortgages offer variable interest rates that may change over time according to benchmarks set prior to closing. As a result, your monthly payment may change over time.

## FHA Loans

FHA loans may offer significant benefits to qualified borrowers. The flexible guidelines allow relaxed credit score requirements and the possibility for a borrower to qualify quickly following a bankruptcy. The standard FHA purchase loan requires only a 3.5% down payment, and in many cases the down payment may be gifted.

## VA Loans

The VA Loan program is designed to assist the brave servicemen and servicewomen of the U.S. Armed Forces. Military veterans and their spouses may benefit from the special terms of these loans, such as relaxed credit score requirements and 100% financing.

## USDA Loans

The U.S. Department of Agriculture's Guaranteed Rural Housing Program is designed to help low or moderate income families acquire home loans within designated rural areas. 100% financing is available for eligible USDA loan applicants.

# DOS AND DON'TS FOR SUCCESSFUL FINANCING

With guidance from a Mortgage Solutions Financial mortgage specialist, the financing process is usually relatively straightforward. The guidelines below highlight some of the basic “Dos and Don’ts” that can expedite the process and help to ensure a successful transaction. It is important to continue following these guidelines even after preapproval.

## **DON'T change jobs or start your own business during the financing process.**

It is essential that your employment status is the same at final verification as when you fill out the initial application. Mortgage Solutions Financial supports the entrepreneurial spirit, but now is not a good time to change jobs or quit your job to start your own business.

## **DON'T make any large purchases that require a credit check during the process.**

Credit checks can negatively affect your credit score. For this reason, large purchases such as vehicles and furniture—anything that may result in a credit check—should be avoided during the financing process.

## **DON'T guesstimate when filling out your application.**

From pre-approval through final verification, ensure that all the information provided to your mortgage specialist and lender is as accurate as possible. The fewer surprises the better!

## **DO crunch ALL of your numbers and clearly define your goals.**

Your Mortgage Solutions Financial mortgage specialist will strive to make the financing process as stress-free as possible for you. However, you must perform your own due diligence—carefully considering ALL your financial details—to ensure that your decisions are financially sound for you and your family.

## **DO be prepared.**

Gathering the appropriate information before the financing process begins can significantly streamline the transaction. The checklist on the next page presents some of the documentation that may be required, but please bear in mind that different loan programs may call for different forms of verification.

# APPLICATION CHECKLIST

Though additional information may be necessary, this checklist provides an overview of the verification documents lenders use to determine loan qualification. Ask a Mortgage Solutions Financial mortgage specialist for additional information.

## Income Information:

- Pay stubs for the last 30 days.
- Names and addresses of all employers for the last two years.
- W2 forms and Federal Income Tax Returns for the last two years.
- Verification of other income, such as dividends, rental income, child support, alimony, or Social Security and disability payments.

## Asset Information:

- Savings accounts.
- Checking accounts.
- 401(k) accounts.
- IRA accounts.
- Investment records.

## Additional Documentation:

- Social Security number.
- Names, phone numbers, and addresses of all involved parties.

## Getting Started

### Mortgage Solutions Financial is here to help.

Over the course of nearly two decades, Mortgage Solutions Financial has helped over 40,000 families purchase the homes of their dreams and reach their financial goals. We are here to serve you and guide you through the financing process every step of the way. Our mortgage specialists are dedicated to answering your questions and finding the best options available for you and your family, seven days a week.

*Give us a call at (877) 899-3614 today, or visit us online at [www.mortgagesolutions.net](http://www.mortgagesolutions.net) to schedule a free, no-commitment consultation.*

Complete your free loan application today.

Mortgage Solutions Financial offers a free online loan application at [www.mortgagesolutions.net](http://www.mortgagesolutions.net). You can fill out the application at your own pace. You can even begin the application, save your work, and return at a later time to complete the forms.



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