

*First Time Home*  
**BUYER**



**THE MORTGAGE FIRM**

NMLS 189233



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Purchasing a home is a pivotal moment and can be overwhelming to many. At The Mortgage Firm, our goal is to make the home buying experience a smooth and seamless process. We have created this guide to show how accessible purchasing a home can be along with tips and tricks on getting pre-approved, loan options available, and moving through the mortgage process with ease. Our goal is to show you why we call it closing simplified.







Financing a home may seem overwhelming, but at The Mortgage Firm our goal is to make your mortgage experience simple. Let's break down each step to help you better understand the mortgage process.

### Step 1: Pre-Approval

One of our experienced home loan experts will help you fill out an application and review the documents required to apply for a mortgage. We will evaluate your income, assets, and credit to determine how much home you can afford and provide a Prequalification Letter detailing how much you qualify for.

### Step 2: Submit an Offer

After you have become pre-approved and have found your dream home, you will submit a solid offer to the seller with your real estate agent. Once your offer gets accepted, your Loan Originator will request updated documentation as needed, submit your application, and provide the required disclosures for your review and acceptance by signing and expressing your intent to proceed.

### Step 3: Inspection and Appraisal

While you are reviewing the loan program and loan costs, the home inspection can be completed so that you are fully aware of the condition of the home and the amount of money you need for closing. The flood zone determination, appraisal and title search will be ordered. Additional documentation that is needed will be requested and or signed by you.

### Step 4: Processing

The file is given to a processor who validates all of the information provided and assembles the file for review by the underwriter. The processor may request additional information or request explanations for information discovered during the validation process.

### Step 5: Underwriting

Once your file reaches Underwriting, the file will be evaluated to see if your credit, income and assets meet the guideline requirements for the loan. The appraisal report is also evaluated during this period to determine if the home value is supported by the appraiser's final determination. Once everything looks good, your loan will be approved with conditions to be fulfilled prior to closing.

### Step 6: Closing

Congratulations, you have made it to the closing table! Your loan conditions are met and cleared, leaving a final review of the closing disclosure and documents for accuracy. You can do a final walk through of the property. Next, sign your closing documents and your loan will get funded. You will receive your new home keys and voi-la! You are a homeowner!





## Why is it so important?

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Getting pre-approved for a home should not only be the first step to your home buying journey, but it is the most important step. Pre-approval is the process of determining how much home you can afford based on a review of your credit, income, assets, and other factors that could be relevant to your specific loan program guidelines.

### But why is it so important?

Pre-approval is what kicks-off your house hunting journey because it determines your price range. Knowing how much you can qualify for and getting an estimate for monthly payments is key to determining the budget of homes that you will be touring to purchase.

With a pre-approval letter, your offer will stand out more than your competition who are not already pre-approved. You are demonstrating that a lender has reviewed your creditworthiness and qualifications for the purchase amount.

Lastly, you can assess possible issues early on when you get pre-approved. Your Loan Originator will be able to detect what problems may make it difficult for you to obtain a loan. Having a low credit score could be detected early, but also could be fixed with the recommendation of credit repair help from a professional.

### What are the requirements for pre-approval?

- Your income: Most recent pay stubs, W2s/1099s from the past two years, and retirement/social security documents. If you are self-employed, you will need the most recent two-year tax returns.
- Your assets: Past two months of bank statements, or confirmation of the source of assets for closing.
- Credit Check: A copy of your ID, Full name, Social Security Number, Date of birth, and Current address.
- Other Factors: Additional documentation may be requested based on your specific loan program and/or your individual circumstances.





## Document Checklist

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The following information is typically required during the mortgage loan process:

- ☐ Your Government issued Picture ID – we will make a copy of this
- ☐ Most current two consecutive paystubs OR if you are self-employed you will need to provide your tax returns for the previous two years
- ☐ Bank statements for the past two months (all pages even if they are blank)
- ☐ Retirement account statements for the past two months or last quarterly statement
- ☐ Investment account statements for the past two months or last quarterly
- ☐ Last two years W-2's and Personal Tax Returns
- ☐ Business Tax Returns and all schedules included

If you currently own any real estate:

- ☐ Mortgage Account Information (for each existing Mortgage)
- ☐ Home Equity Line of Credit Account Information (if applicable)

Additional items that may be required depending on your individual circumstances:

- ☐ Proof of Child Support being received (if applicable)
- ☐ Copy of Divorce Decree (If applicable)
- ☐ Lease agreements for rental property owned (if reported on tax returns)
- ☐ Job Transfer Letter (if applicable)
- ☐ Copy of Pension Award Letter, Social Security or other Fixed Income verification
- ☐ Copy of Short Sale or Foreclosure paperwork



# What is a down payment



## and how does it affect your mortgage?

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A down payment is what you, as the borrower, pay upfront in cash at the closing table. Your down payment can typically range anywhere from 3-20% of the purchase price of your home, depending on the loan product you choose to finance with. There are different down payment assistance programs available to help make home ownership achievable, but be sure to contact your Loan Originator to see what is offered in the zip code you are purchasing in.

A down payment is crucial in determining the future mortgage payments that you will be making as a borrower. It also dictates what funds you have available for the lifetime of the loan. Depending on your situation, there are both potential benefits and drawbacks for a lower or higher down payment. We have highlighted three main points for each:

### A bigger down payment typically means...

- Lower interest rates
- Lower monthly payments
- Reduced mortgage insurance costs

### A smaller down payment typically means...

- You can buy a home sooner
- You have more funds available for repairs and renovations
- You will have extra funds for emergencies

Determining what type of down payment you should be aiming to pay can depend on what type of home you are purchasing, how much cash on hand you want, and your budget. Be sure to discuss your scenario with a Loan Originator to see what options are best for you.

### Why are LTV and PMI relevant to down payments?

LTV, also known as loan-to-value, is the percentage representing a home's value that a lender is willing to loan a borrower for a mortgage. It is calculated by taking the loan amount needed for a home purchase, divided by the appraisal value of the home, multiplied by 100 (to make this a percentage). LTVs are used to help borrowers determine how big of a down payment is needed for them to receive a loan.

PMI\*, better known as Private Mortgage Insurance, is necessary for buyers who put less than 20% down for their down payment. PMI is a monthly payment that is made until there is 20% equity in the home. Many borrowers believe that putting down 20% is the best option to avoid PMI, however this monthly cost can be relatively small. Borrowers can put as little as 3% down, or even opt for a fully financed mortgage. Be sure to discuss your options with your Loan Originator to see which scenario works best for your financial needs.

\*This portion is referencing Conventional requirements; other programs requirements may differ.

\*PMI is required for Conventional loans, other programs require similar types of insurance based on the loan type.



# Down Payment

## Tips and Tricks

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Take a look at some of our recommended tips and tricks for saving for a down payment.

1. **Build a Budget:** The first step in the saving process is budgeting. If you don't know where your money goes every month, it's impossible to divert money to your down payment fund.
2. **Consider Downsizing:** One fast way to save more money towards a down payment is to downsize. Downsizing is the process of reducing your expenses and living below your means while you save.
3. **Tax Refund:** Consider using your tax refund towards your down payment. Tax season may be the perfect opportunity to qualify for a new home.
4. **Ask For a Raise:** Living paycheck to paycheck, with little wiggle room? It might be time to ask for a raise based on your performance and professional value to your company.
5. **Reduce or Cut Out a Bad Habit:** Reducing or cutting out even one bad habit can help you put away a good chunk of dollars every year.
6. **Skip A Vacation:** Exploring new destinations can be an amazing experience. However, they are often expensive experiences. Consider saving that money for a down payment.
7. **Pick Up a Side Hustle:** In today's world, it's a lot easier to earn money on your own time with a side hustle. (Income from alternative sources will not be included in the qualifying income for the home loan.)
8. **Chop Down Your Debt:** If you're on a mission to buy a home, diverting your extra income toward your debt might seem counterintuitive. However, debt-to-income ratio (DTI) is a factor when applying for a mortgage. Talk to a Mortgage Loan Originator to see if you should take some time to reduce your debt before applying for a mortgage loan.
9. **Automate Your Savings:** If you're the type of person who's prone to impulse shopping, you may want to consider automating your savings. When you make your money less accessible, you may be less tempted to buy things you may not need.
10. **Rent Out Your Spare Room or Parking Space:** Do you have an extra bedroom in your apartment? If you do, consider listing it on an online hospitality website. Or, if you live in an urban area where parking is at a premium, consider renting out any of your assigned parking space.

Disclaimer: Not all borrower's situations are the same, be sure to make financial decisions that are best for you.



## A great down payment source

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If you aren't sure how you will come up with the cash upfront for your down payment, consider asking a family member to contribute a gift fund. A gift fund is a monetary gift from a qualifying donor that is intended to be used for a down payment and will not be repaid. Depending on the type of loan you are using could determine who would be considered as a qualifying donor. Below we have listed examples of acceptable donors\*:

### Relative:

- Spouse
- Child
- Other Dependent
- Has any relation by blood, marriage, adoption, or legal guardianship.

### Non-Relative:

- Domestic partner
- Relative of domestic partner
- Fiancée/Fiancé
- Former relative
- Godparent

\*Disclaimer: Acceptable donors lists were provided by Fannie Mae for conventional, other programs may vary, and are subject to change without notice. Donors cannot have affiliation with builders, developers, real estate agents, or other interested parties to the home in question.

Please find on the next page an example of a Gift Letter that is required to be used when utilizing Gift Funds towards a down payment. Be sure to check with your Loan Originator if there is a maximum amount of funds that can be contributed and what documentation is required to prove the transfer of funds.



## Gift Letter

I/We do hereby certify to the following:

I/We (Donor) have made a gift of \$ \_\_\_\_\_ dollars to the Borrower(s) named below, and no repayment of this gift is expected or implied either in the form of cash or future services of the recipient.

### Marisol Testcase

This gift is to be applied toward the purchase of the property located at:

**TBD**

The source of funds for this gift is:

Bank Name: \_\_\_\_\_

Type of Account: ☐ Checking ☐ Savings ☐ Other

Account No.: \_\_\_\_\_

Relationship to Borrower: \_\_\_\_\_  
\_\_\_\_\_

Donor's name: \_\_\_\_\_

Street address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Donor Telephone: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

\_\_\_\_\_  
\* Donor Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
\* Borrower Signature (Recipient)

\_\_\_\_\_  
Date

\_\_\_\_\_  
\* Borrower Signature (Recipient)

\_\_\_\_\_  
Date

\* Please Note: Upon the signature(s) of this gift letter, I/We hereby certify that any funds given to the homebuyer were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent, broker, builder, or loan officer, or any other entity associated with this transaction.

I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements when applying for this mortgage, as applicable under the provision of Title 18, United States Code, Section 1014 and Section 1010.





From getting pre-approved to closing on a home, there are certain things that a borrower should and should not do, without speaking to their Loan Originator first. To make sure that you have a smooth home buying journey, we've highlighted mortgage "Do's and Don'ts" to guide you to a seamless closing!

### What to do:

- Provide all requested financial documentation within 24 hours
- Disclose all your income that you would like considered for qualifying purposes
- Disclose all your debts (i.e., side business, alimony, child support, additional real estate owned etc.)
- Be upfront about your credit (good, bad, or otherwise)
- Pay all your bills on time (mortgage, rent, car payments, credit cards, etc.)
- Continue to use your credit card as you normally would, but not excessively
- Make your spouse available to sign at closing if purchasing a primary residence
- Keep in communication with your Loan Originator or Loan Partner

### What NOT to do\*:

- Change or quit your job
- Apply for New Credit or Loans of any kind
- Pay off debts, collections, or charge-offs (unless advised to do so by your Loan Originator)
- Move or change your mailing address
- Co-sign or become a co-borrower on any other loan
- Make major changes to your asset structure
- Make any cash deposits into your bank accounts

\*Without consulting your Loan Originator first





## FHA Loan

If you are a first time buyer, an FHA loan could be a good option to consider when purchasing a home. A Federal Housing Administration (FHA) loan provides an exceptional government-insured loan with flexible loan options. Let us guide you through taking advantage of the FHA's Loan Program benefits:

- Lower Down Payment (3.5% minimum)
- Lower Minimum Cash to Close
- Minimum FICO 580
- Debt-to-Income Thresholds are Higher
- Upfront Mortgage Insurance Premiums (1.75%) Financed
- Down payment assistance programs available

## Conventional Loan

Another great loan option for first time buyers is Conventional Loans:

- Low 3-5% down payment options available
- 620 Minimum Credit Score
- Allows for Higher Loan Amounts than FHA Loans
- Down payment assistance programs available

## VA Loan

VA Loans are also a great option for first time buyers that are veterans, reservists, active-duty, and/or surviving spouses of veterans based on military entitlement. Below we have highlighted the advantages for first time buyers utilizing this product:

- No down payment necessary
- If you do provide a down payment, down payment assistance programs are available
- No cash reserves
- No application fee
- No monthly mortgage insurance premiums
- VA funding fee may be financed
- The seller is required to pay certain closing costs, therefore decreasing the closing cost of the borrower
- May pay off some debt with a refinancing loan program
- 1-4 unit primary residences with restrictions

\*Disclaimer: Additional requirements may apply; programs are subject to change without notice.



As you can see, there are several factors that go into the home buying process. The Mortgage Firm is here to help make home ownership achievable for everyone. If you are concerned about your plan to finance your home, there are different ways to find money for closing cost fees and down payment assistance. Be sure to contact your Loan Originator to see which programs and grants are available in your zip code.

DISCLAIMER: This booklet was updated September 2022- all programs and requirements listed are subject to change without notice. Please contact a licensed Mortgage Loan Originator to get complete and updated guidelines/requirements.

