Welcome Home

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My name is Léopoldine, I am from France and my husband and I moved to Annapolis, Maryland in 2017. We do enjoy the historic, closetonature, close-to-city life-style that the Annapolis area provides, and we also can't wait for our daughter to be old enough to learn how to sail. As a French cuisine/good food/gathering friends/good wine lover I love kitchens. They became the heart of the house and modern open spaces allow to combine the warmth of family space and the energy of cooking while talking to your guests or your beloved ones. But in order to succeed you need to have a recipe, all the ingredients prep and ready in advance before starting cooking anything and you need the right utensils. It can take time and be stressful, difficult and sometimes disappointing but it can also be fun, simple and at the same time rewarding. Just like Real Estate. To help you achieve your goal (dream house, pied-à-terre, investment) I have chosen to partner with the international real estate firm of Coldwell Banker Residential Brokerage which gives me the edge in providing you with the kind of professional and personal service that I require for my clients.

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Rob believes that solid communication is critical to any successful business or personal relationship, and nowhere is it more needed than when he's helping clients find the right mortgage. For his 32 years and while assisting more than 4000 clients obtain financing of more than $2.5B, he has always remained committed to communication and responsiveness, which instills confidence in clients and realtors during what can be a complicated and confusing process. Rob's goal is simple—to provide the best and most cost-effective loan for the client's situation, and to make the process as simple as it can be. He will remain available always even on evenings or weekends, will focus on the details, and will work as hard for the client on day one as he does on closing day. If clients have questions or concerns, he is always there to address them. Rob specializes in Conventional Conforming, Conventional Jumbo, FHA, and VA loans suitable for first time buyers or repeat buyers About half of the loans he does every year are first time buyers and he especially enjoys the education aspect of working with first time buyers. He also does a large number of VA loans. Being the child of a military officer he understands the challenges Veterans have and loves working with them.

Introducing your mortgage support team

Our innovative POD business model allows us to process loans with speed and efficiency. With a team of mortgage experts in place to handle mortgages from processing to approval to closing, we'll get you in your new home quickly and provide incredible service every step of the way.

Loan Officer (LO)

I'm here to help and I'll be involved from start to finish. I'll work with you to find a mortgage that is perfectly customized for your needs, then oversee the process as your loan moves forward. If at any point you have questions or concerns, please do not hesitate to contact me.

Sales Assistant (SA)

Sales assistants keep things moving along. They will touch base with you at the beginning of the process and continue to follow up throughout the approval process.

Mortgage Consultant (MC)

A mortgage consultant will work closely with you to make sure your loan process starts off right! They are experts in preparing your loan for a quick and efficient approval by asking for only the most pertinent documentation.

Loan Coordinator (LC)

Once your loan has been formally approved, a loan coordinator will work closely with you to make sure your loan approval is cleared of all underwriting conditions (a very important step). Once your loan has been cleared to close by underwriting, they will work to ensure an on-time, accurate and smooth closing experience.

Real Estate Agent

A real estate agent is licensed to negotiate and transact the sale of real estate on behalf of a property owner or prospective homeowner. Not only should this person possess a comprehensive knowledge of the purchase process, they should also have a thorough understanding of the local real estate market to help ensure that you are getting a good value on your home.

The steps to a perfect loan

This guide provides an overview of what you can expect from your home purchase.

1 | Home shopping

1. Check out rates and see if now is the right time to buy
2. Reach out to a real estate agent and mortgage professional
3. Get pre-approved using the Digital Mortgage
4. Begin house hunting
5. Find the perfect home and submit your earnest money with a contract to buy

2 | Mortgage application

1. Shop for a loan program and submit a formal application
2. Home purchase contract is accepted and will be executed
3. Receive your Loan Estimate

3 | Processing your loan

1. Submit all paperwork your mortgage professional requests
2. Schedule all inspections—get repair estimates and renegotiate with sellers
3. Guaranteed Rate Affinity's appraisal desk will order an appraisal if required
4. Loan file submitted to underwriting

4 | Conditional approval

1. Notice of Conditional Approval
2. Receive your Initial Closing Disclosure
3. Address any questions or requests for additional documentation
4. Receive clear to close

5 | Closing

1. Final walk through of the property
2. Gather your closing costs
3. Receive your Final Closing Disclosure
4. Close your loan
5. Enjoy your new home!

6 | Mortgage reference

1. Frequently asked questions
2. Mortgage glossary

1 | HOME SHOPPING

Home shopping checklist

A guide to help you when shopping for a home.

As you view homes, give each one a thorough inspection to weed out lemons and uncover hidden gems. A home in terrific condition lets you save and spend on your terms. On the flip side, a continuous need for repairs and renovations can have a major impact on your budget. While your real estate agent and loan officer can offer tips on what to look for, it's wise to proactively track these things on your own.

Check for:

- [ ] Loose/cracked siding
- [ ] Stained/corroded bathroom walls
- [ ] Sagging ceilings
- [ ] Squeaky stairs and floors
- [ ] Basement wall cracks
- [ ] Working stove, oven, disposal
- [ ] Dampness in bathroom cabinets
- [ ] Mold and mildew
- [ ] Working faucets and toilets
- [ ] Hairline wall plaster cracks
- [ ] Power outlet placement
- [ ] Exposed electrical wiring

Ask your agent about:

- [ ] School district
- [ ] Grocery stores/shopping centers
- [ ] Restaurants and bars
- [ ] Zoning laws
- [ ] Crime rate
- [ ] Parks and playgrounds
- [ ] Walkability
- [ ] Medical and dental facilities
- [ ] Road construction
- [ ] Trash/recycling services
- [ ] Bank/ATM locations
- [ ] Neighborhood noise level

While buyers are often understandably anxious to get in their new home, enlisting a licensed professional to conduct an inspection is an imperative part of the process. Not only can it identify any serious issues, it also provides an intimate education of a home and allows you to start thinking about future maintenance and improvements.

Notify your loan officer of any oddities you discover, especially if your purchase involves a short sale, foreclosure or home in which repairs are required. This will ensure that the application process progresses smoothly!

Home buyer checklist

Talk with your realtor about what you want in a home. This list will help get you started.

HOME SPECIFICS
Square footage: ____________
Real estate taxes: ____________
Style of home: ____________
Number of stories: ____________
Number of bedrooms: ____________
Number of bathrooms: ____________

FEATURE	MUST HAVE	WOULD LIKE	NOT NEEDED
Near work	☐	☐	☐
Near schools	☐	☐	☐
Near shopping	☐	☐	☐
Freeway access	☐	☐	☐
Near recreation areas	☐	☐	☐
Garage	☐	☐	☐
Street parking	☐	☐	☐
Closets/storage	☐	☐	☐
Central air	☐	☐	☐
Energy efficiency	☐	☐	☐
Green features	☐	☐	☐
Fireplace	☐	☐	☐
Eat-in kitchen	☐	☐	☐
Master bedroom	☐	☐	☐
Office/work space	☐	☐	☐
Basement	☐	☐	☐
Finished basement	☐	☐	☐
Patio/deck	☐	☐	☐
Front porch	☐	☐	☐
Backyard	☐	☐	☐
Fenced-in yard	☐	☐	☐
Landscaping	☐	☐	☐
Pool	☐	☐	☐

Digital Mortgage

Our new Digital Mortgage allows you to digitally upload all of your needed documents and check the status of your loan. Anytime. Anywhere.

FILL OUT YOUR APPLICATION

- Basic info
- Property info
- Financial info

RUN A CREDIT CHECK

GET YOUR REAL ONLINE APPROVAL*

APPROVED

Based on our automated underwriting system, you can receive lightning fast approval and a downloadable approval letter.

"Real Approval" means an automated underwriting system approval based upon credit information supplied by applicant and subject to Guaranteed Rate Affinity's review of loan documents. Applicant subject to credit and underwriting approval. Not all applicants will be approved for financing. Receipt of application does not represent an approval for financing or interest rate guarantee. Restrictions may apply, contact Guaranteed Rate Affinity for current rates and for more information.

GET YOUR LOAN ESTIMATE

Within 3 days of obtaining your approval you'll receive a Loan Estimate (LE) which outlines your preliminary estimated closing costs.

GET YOUR PERSONALIZED MORTGAGE TO DO LIST

Check your email for the link to your private online folder where you can begin digitally uploading your requested documents.

TRACK YOUR LOAN STATUS 24/7

Keep tabs on your loan with our 24/7 loan status tracker. Login with your credentials at: **www.GRArate.com** and use our simple interface to see exactly where you are in the process.

CLOSE YOUR LOAN!

Get a pre-approval letter in minutes

Make your offer stand above the competition.

When you find the perfect home, a fast pre-approval could be the difference between your bid being accepted or rejected. With Guaranteed Rate Affinity's industry-leading tech and automated underwriting, I can send you a pre-approval letter that stands above the competition in minutes—anytime, anywhere.

"Real Approval" means an automated underwriting system approval based upon credit information supplied by applicant and subject to Guaranteed Rate Affinity's review of loan documents. Applicant subject to credit and underwriting approval. Not all applicants will be approved for financing. Receipt of application does not represent an approval for financing or interest rate guarantee. Restrictions may apply, contact Guaranteed Rate Affinity for current rates and for more information.

Protect your pre-approval

Following these tips could be your key to a great home loan with low rates and fees.

DO

Do stay current on existing accounts

One 30-day late notice can compromise your ability to be approved.

Do continue to use your credit as normal

Changing your pattern will raise a red flag and can lower your credit score.

Do call your mortgage loan professional first

If you have any questions or concerns, always contact your mortgage professional.

DON'T

Don't apply for new credit

Every time you have your credit pulled by a potential creditor or lender, you will lose points from your credit score. This includes co-signing for a loan or applying for new credit.

Don't max out credit cards

Do not use more than 30% of your available credit limit during the loan process. If you pay down balances, do it across the board.

Don't consolidate your debt

When you consolidate all of your debt onto one or two credit cards, it will appear that you are "maxed out" on that card, and your credit scores will suffer.

Don't close credit card accounts

Closing a credit card account negatively impacts your credit history.

Don't payoff collections or "charge-offs"

If you want to pay them off, do it through escrow at closing.

Don't transfer money between accounts

Unless receiving complete documentation from your bank itemizing all transfers, don't transfer money.

Don't withdraw or deposit large sums of money

Unless absolutely necessary, don't withdrawal or deposit large sums into your checking or savings accounts.

Don't make career moves

Don't change jobs while obtaining mortgage financing. Should an opportunity arise, discuss the details with your mortgage professional.

Don't let bank accounts go in the red

Any accounts with insufficient funds cannot be used. Be sure to keep all accounts in good standing.

Don't have a friend or relative pay for anything related to the purchase of the home

Gifts are only allowed under specific lending guidelines and must be documented. This includes your appraisal, earnest money, down payment, etc.

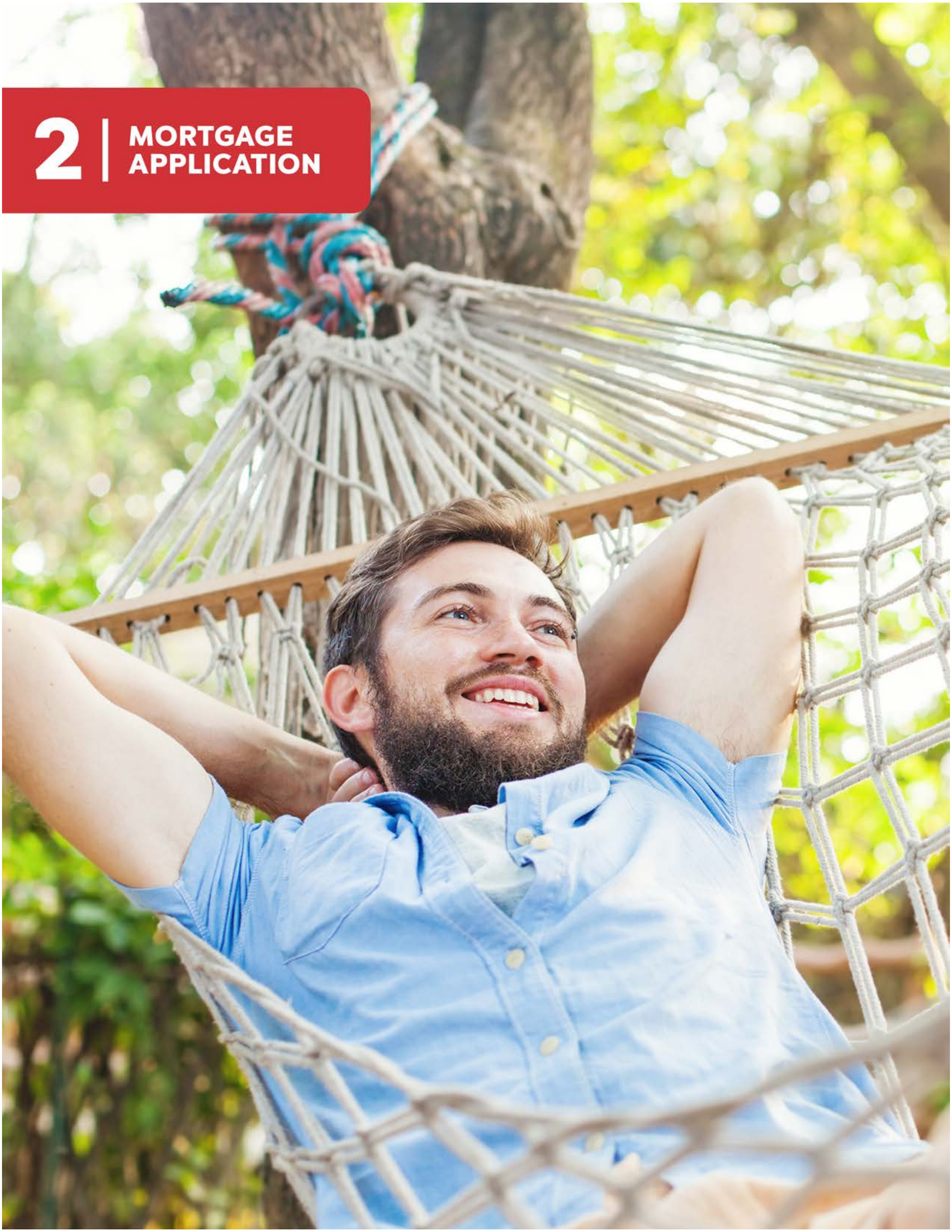
Don't keep your cash in a safe or overseas account

If you plan to use these funds as a down payment, inquire about how and when would be the best time to put funds into your U.S. bank account if needed.

Don't give your personal information to anyone else who might run your credit report

Be protective of your credit while purchasing or refinancing your home. Additional credit inquiries will hurt your credit scores.

2 | MORTGAGE APPLICATION



Loan options

Guaranteed Rate Affinity's home loan options include:

Fixed rate mortgage

Settle down with a 15- or 30-year fixed rate mortgage. Your rate stays the same throughout the life of the loan, providing you with peace of mind and consistent monthly mortgage payments.

Adjustable rate mortgage (ARM)

ARMs are a great option for borrowers who may only be in the home for a few years. They typically feature a lower initial interest rate than fixed mortgages and extra protection with rate caps. It is important to know, however, that after the initial time period your ARM rate adjusts with the market and typically increases.

Jumbo loan

Move into your forever home with a jumbo loan. Need a loan that exceeds the current conforming limit? A fixed or adjustable jumbo mortgage can help you make your move.

FHA loan

Make your homeownership dreams come true with an FHA loan. Featuring flexible credit restrictions and down payment options as low as 3.5%, an FHA loan is a popular option for first-time homebuyers.

VA loan

Enjoy exclusive military benefits with a VA loan. If you are a veteran or an active-duty service member, a VA loan offers less restrictive credit guidelines and low down payment options for you and your family. (Length of service or service commitment, duty status and character of service determine eligibility for specific home loan benefits.)

Interest only mortgage

Free up your cashflow with an interest only mortgage. Take advantage of the lowest possible monthly payments right off the bat to afford a more expensive home and invest your income elsewhere.

Fixed vs. ARMs

Compare your loan options to get the best loan for your needs.

At Guaranteed Rate Affinity, we have a wide variety of products at our disposal, so we're able to match you with the perfect loan for your unique financing situation. Fixed and adjustable rate mortgages are the most common mortgage options.

Fixed rate mortgages

Fixed rate mortgages are those in which the interest rate will not change for the term of the loan. There are many fixed rate options, with the most common being 15 and 30 years. The payments for fixed rate loans are equally spread over the life of the loan.

Fixed rate options are the most common loan option. These are great if you are planning to keep the property for a long amount of time, or have a low financial risk tolerance, as it provides security since the rate will never fluctuate.

Adjustable rate mortgages

An adjustable rate mortgage (ARM) is a home loan with an interest rate that changes after a fixed amount of time—usually 5 or 7 years. ARMs typically offer lower interest rates and lower monthly payments than a fixed rate mortgage. After the allotted time passes, the rate may adjust and your monthly mortgage payments will adjust accordingly.

If your top priority is a low monthly payment or you don't plan on staying in your home—or the mortgage—for more than 5-7 years, an ARM could be right for you. If flexibility is your top priority, this loan can be a viable alternative to a 15 or 30-year fixed rate mortgage.

While these are the basic programs, there are many more loan programs available that may match your individual situation. Make sure to talk each of these over with your mortgage professional.

Understanding your mortgage payment

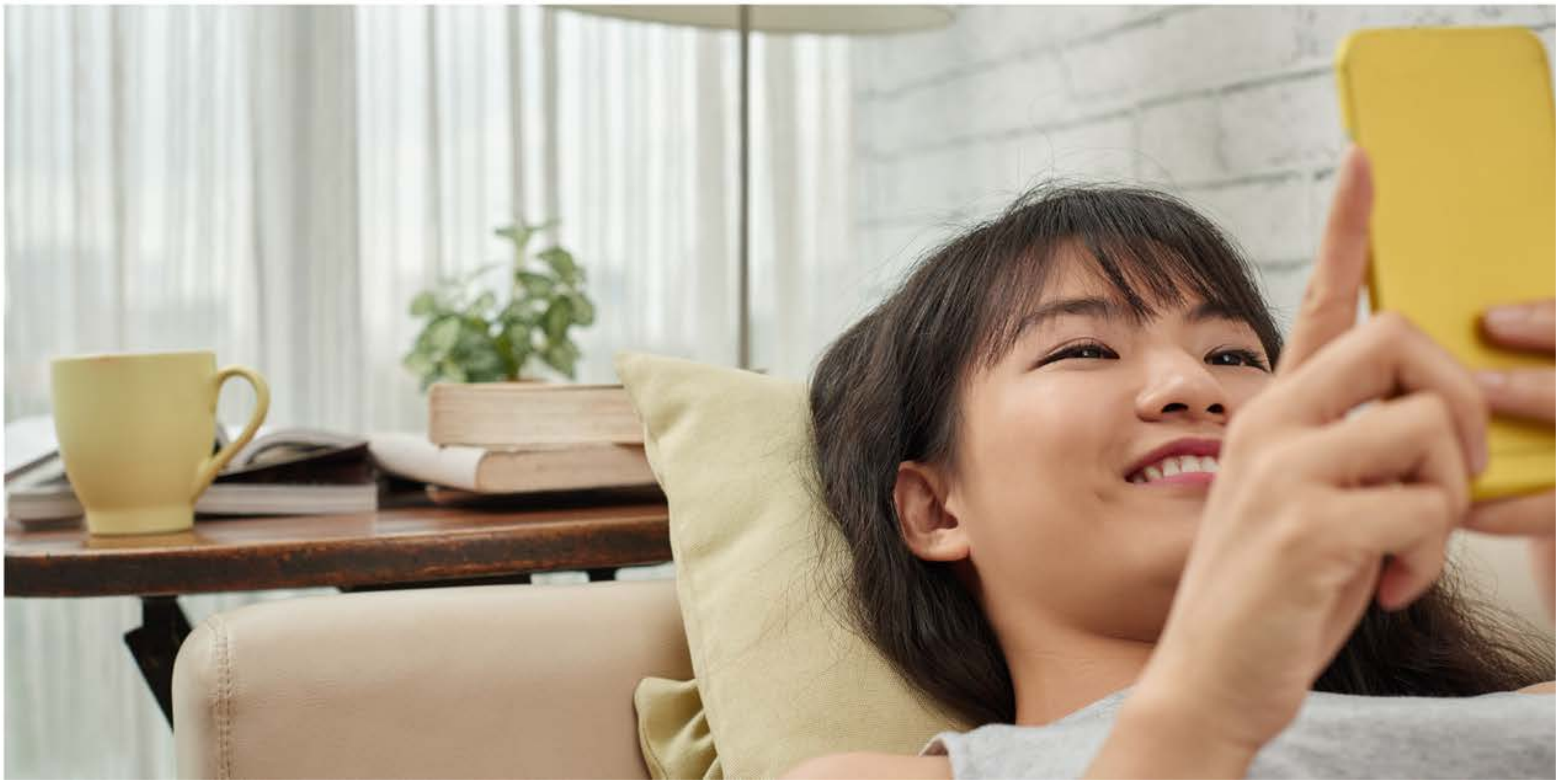
Get educated on the breakdown of your monthly mortgage payment.

As homebuyers begin searching for a home, one of the most frequent questions they ask themselves early on is, “What can I afford?” Answering that question involves far more than just the price of a home. Beyond the amount borrowed and the term of the loan, the main components that determine your monthly mortgage payment are the principal, interest, taxes and insurance (PITI).

Principal & interest (P&I) + taxes (T) + insurance (I) = PITI

- **Principal:** The amount of money that is borrowed for a mortgage. The principal amount owed goes down when borrowers make regular payments, so long as it is not an interest only loan.
- **Interest:** The rate charged to the borrower each period for the loan of money. There is a direct correlation between the interest rate and the size of your payment—lower rates result in lower payments.
- **Taxes and insurance:** Includes estimated property taxes and homeowner’s insurance (property insurance, plus flood insurance and private mortgage insurance, if applicable). Some borrowers choose not to include taxes or insurance as part of their monthly payment. In this scenario, monthly payments are lower, but the taxes and insurance must be paid separately.

Your specific mortgage and the property you purchase could include other factors that affect what you owe each month. Ask your loan officer for more details on your monthly mortgage payment breakdown.



3 | PROCESSING YOUR LOAN

Documents we'll need

Get yourself prepared to ensure a seamless mortgage process.

Because a substantial amount of money is borrowed by most homeowners and lenders want to reduce their risk by fully vetting your ability to repay, there is a lot of documentation involved in securing mortgage financing. The more organized you are, the easier the process will be.

Our team of mortgage professionals will walk you through this process. It makes no difference what order you submit your documents, just that all necessary elements are provided.

While the below list gives you an idea of what documents you'll typically be asked to provide, some loans have more moving parts than others and additional documentation may be required.

- Last 2 years of signed federal tax returns (all pages, all schedules)
- Last 2 years of W-2s
- Last 2 months of pay stubs
- Last 2 months of bank statements (all numbered pages)

Once all documentation has been submitted, it will be reviewed and we'll let you know if anything else is needed. You will also need to sign documents throughout the process.

All documents must be sent in their entirety—please submit all pages (even if blank), with no blackouts or missing information.

Appraising your home

Your home appraisal will help determine the fair market value of your home.

An appraisal is a written report, produced for the lender, that estimates the value of a property. The loan amount must not exceed a specific percentage of the appraised value.

The appraisal typically occurs once your loan file has been prepared with all required documents, you've chosen your loan program, your rate lock preferences have been established and the inspection has taken place.

Whether you are buying or refinancing, estimating the fair market value of a home is an integral part of any mortgage transaction, given the property will act as collateral in exchange for your loan.

Your appraisal report not only includes the appraiser's final opinion but the factors that determine it, including:

- **Location:** Nearby schools, recent distressed sales in the area, nearby land use, shopping and its distance to and from the home will be considered.
- **Size:** More square feet of living space typically translates into more value.
- **Age:** Your home will be compared to other similarly aged homes in your town. Recent renovations will change your home's effective age.
- **Rooms:** The more bedrooms and bathrooms your home has, the greater the value. Keep in mind, an appraiser will only count the number of "legal" bedrooms and bathrooms. For example, a bedroom below grade is not considered an actual bedroom.
- **Comparable:** A comparable, or "comp," is a recently sold home of similar size, age, quality and amenities as your home. Generally, comps are required to be within a one-mile radius of the subject property (your home). If the appraiser cannot locate homes within close proximity due to its rural location or its unique attributes, they may identify comps from similar or competing areas, and may go beyond one mile.
- **If you are purchasing:** The bank needs to ensure the home you are buying is worth at least as much as the purchase price to lend money. The appraisal will be scheduled with the listing agent or brokerage who holds the listing on the property.
- **If you are refinancing:** Your home's value will determine the maximum loan amount you will be approved for and the appraiser will contact you directly to schedule the appointment.

You are entitled to a copy of your appraisal, so your mortgage professional will provide you with one once it is completed.

Underwriting

Understanding underwriting requests.

Our underwriting department is tasked with deciding whether to provide a loan based on credit, employment, assets and other factors, then matching the risk involved to an appropriate rate and term or loan amount.

As you progress through the mortgage process, much of the documentation provided are to answer an underwriter's questions before they are asked. However, underwriting may still have questions and/or require additional documentation. Common requests include:

- **Evidence of earnest money:** Copies of your canceled earnest money check(s) or proof of wire.
- **Letter of Explanation (LOX):** You may need to write a letter explaining an event or situation. Examples of what can trigger the need for an LOX include job gaps, credit inquiries, large deposits into your bank account or less than two years of work history due to schooling.
- **Gift Letter:** The requirements for gifts differ between FHA and conventional financing. If you receive a gift for a down payment, you will need to provide a copy of the gift check or wire and a gift letter from your donor.
- **Copy of Note:** You will typically be asked for a copy of your "Note" for your second mortgage. Your "Note" outlines the terms of your loan and your promise to repay.
- **Source of large deposits:** You may need to disclose the source of any larger than normal deposits into your account. This is because the underwriter needs to ensure you have not taken on additional debt which would impact your debt-to-income ratio (DTI).
- **Verification of Employment (VOE):** This will need to be completed by a human resources representative at your place of employment or through a system called Work Number. The VOE outlines your dates of employment, a breakdown of your income for the past three years and the probability of your continued employment.

4 | CONDITIONAL APPROVAL

The loan review process

We have in-house underwriting to get your loan approved faster.

At Guaranteed Rate Affinity, we have our own in-house underwriting department and the underwriting process typically takes 24-48 hours.

1. Your loan file is reviewed by an underwriter and a Conditional Approval may be issued. Conditions are additional items the underwriter must review and approve prior to clearing any loan for closing.
2. If needed, the underwriter will send the Conditonal Approval directly to your mortgage professional and loan processor. The processor's job is to facilitate satisfaction on all conditions listed on the loan approval.
3. The loan processor will contact you if the underwriter requires furtuer explanation or additonal information and/or documents.
4. If all conditions have been satisfied, the underwriter will isue a clear-to-close. This is your final approval before securing your mortgage—the las step involves a closing team that will double check and vertify all elements.

If your loan has been reviewed and we are unable to approve financing due to one or multiple factors such as poor credit history, too much debt or problems with the property, a denial will be issued.

The written decision will be sent to you within 30 days of receiving your completed application. A loan denial must also include whether there is an "option for reconsideration" of the loan. If this is the case, we can discuss what needs to be done for your loan to be reconsidered.

We strive for transparency throughout the loan process, so if there are any concerns about your loan file, we'll let you know as soon as possible.

This is why it's SO important to be up front about your financial history. Don't hide anything at the beginning of the process so you can avoid difficulty at the end.

5 | YOUR CLOSING

Now, let's close!

We are dedicated to providing the fastest closing possible.

Once a loan is cleared to close, the processor, or mortgage professional, will contact you to confirm closing details. The closing process for purchase and refinance transactions vary from state to state and it's best to speak with your mortgage professional regarding state-specific details.

You'll receive your Closing Disclosure (CD) a minimum of three business days before you close. This will give you plenty of time to review the loan terms and how much money you need to bring to your closing. It will also show how the actual costs compare with the estimates that were disclosed on your initial Loan Estimate (LE). You will need to sign and initial your CD, so be sure to ask your mortgage professional if you have any questions on changes at this time.

You will sign and initial many documents at your closing. If there is something you don't understand or there is an error on any of the documents, don't be afraid to stop the process, get clarity and get the issue fixed—even if it feels like you are slowing everything down.

Once your loan is closed, you'll receive a package that contains temporary payment statements, a payment letter that has details about where and when to send your initial payment, among other loan documents. If you're purchasing your home, the best part of it all will be receiving your keys.

Guaranteed Rate Affinity cannot guarantee that an applicant will be approved or that a closing can occur within a specific time frame. All dates are estimates and will vary based on all involved parties level of participation at any stage of the loan process. Contact Guaranteed Rate Affinity for more information.

Before wiring any funds, call the intended recipient at a number you know is valid to confirm the instructions - and be very wary of any request to change wire instructions you already received. A Guaranteed Rate Affinity employee will never provide nor confirm wire instructions.

Save all your closing documents and receipts from your move in a safe spot—you'll want them during tax time.

What to expect after closing

Your loan has closed, and you might be thinking, “Now what?”

At Guaranteed Rate Affinity, we will often sell your loan to another respected company. If your loan is sold, you will receive a welcome letter from your new servicer that will give you all the details on how and when to pay. But generally, within 30-60 days after your closing, we will identify the servicing company who you will be making future payments to. At that time, a “goodbye” letter will be mailed to you with information about your servicer and where to mail your future payments. The same information will also be provided to you by your new servicer.

While we work to finalize the servicing transfer—and until you receive your “goodbye” letter—please continue to make payments directly to Guaranteed Rate Affinity.

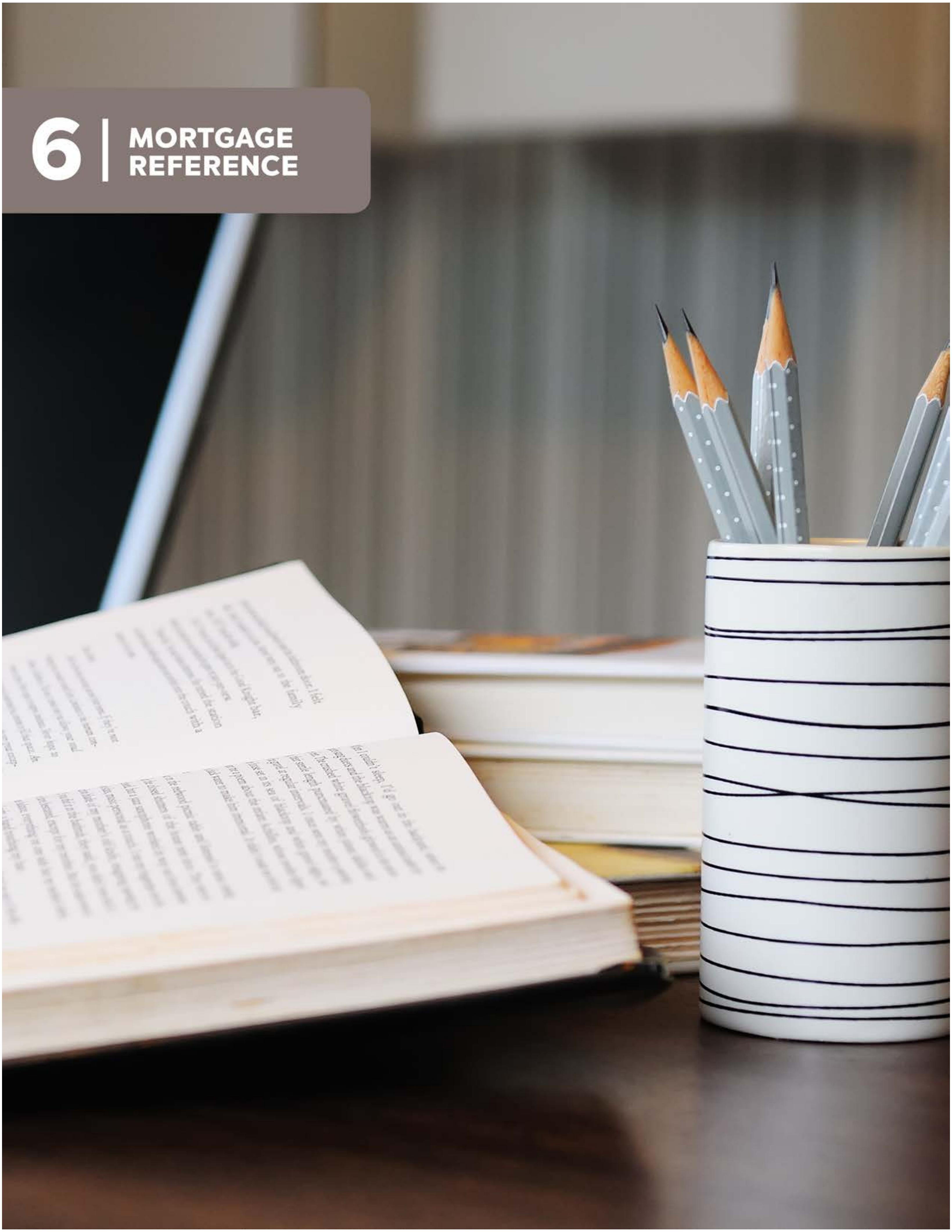
For your convenience, please utilize the payment slips in your closing packet which provide details regarding the payment amount, when it’s due and where to send it.

If you have sent a payment into Guaranteed Rate Affinity and receive a notification that your servicing has been transferred, there is no need to cancel your check or send a new payment. We will forward it to the new servicer on your behalf.

If you have any questions about payments or the servicing of your loan, please contact our servicing group from 8 am - 7 pm CST at (855) 575-8155. Or, send an email to servicing@grarate.com.

USE THE SPACE BELOW FOR ANY ADDITIONAL QUESTIONS FOR YOUR MORTGAGE PROFESSIONALS.

6 | MORTGAGE REFERENCE



You've got questions. We've got answers.

This list of FAQs covers many of the basics. If you can't find what you're looking for, please don't hesitate to contact your mortgage professional.

You've started planning the home loan process...

Can I get pre-approved if I don't know what house I want to buy?

Yes! You don't need to know any specifics about the property you want to buy to get pre-approved.

Why will having a pre-approval help me win the bid on the home?

This will indicate that you are a qualified buyer to both sellers and real estate agents, which could help you to get the deal above other buyers that have not yet been pre-approved. It increases your ability to negotiate the best possible deal.

Why does the loan purpose affect how much I need to include as my down payment?

The loan purpose affects the down payment requirement because of the risk involved with the different types of ownership whether it is a primary home, secondary home or an investment property. The lender wants to minimize their risk and they do this by requiring larger down payments (i.e., more skin in the game for you equals less risk for the bank).

Why do mortgage interest rates go up and down?

There are many factors that go into deciding what your interest rate will be when securing a mortgage including inflation, the Federal Reserve, the yield on the 10-year treasury note, your credit score and other loan attributes. As these elements can change daily, so can your rate—until it is locked.

What are points?

They are essentially a form of prepaid interest paid to your lender at closing, which results in a lower interest rate and monthly payment. This is also known as buying down your interest rate. The more discounts points you pay, the lower your rate could be.

You’ve got questions. We’ve got answers.

What is a mortgage loan buydown?

The process of trading money for a lower mortgage rate. The borrower “buys down” the interest rate on a mortgage by paying points up front.

Can I float my rate?

Yes. Some borrowers choose to float their rate. This leaves your rate subject to market changes which could lead to a higher or lower rate than originally quoted. Changes in the rate locked can result in the file needing to be sent back to underwriting which could cause delays in the closing process. All loans must be locked a minimum of 10 days before closing.

Are loans for condominiums different from other home loans?

The purchase of a unit in a quality condo project is typically like purchasing a single-family residence and should not present any additional problems. With the purchase of a condo, lenders must evaluate the individual unit as well as the entire project. Homeowners association dues must be factored into the debt ratios, as well as the cost of any other required insurance.

What is earnest money? And why do you give it?

This is also known as a good faith deposit. It is money a buyer will pay to a seller when they submit an offer to show the seller they are serious about moving forward with the purchase, somewhat like a security deposit. Once the seller accepts the buyer’s offer, the money will go toward the down payment and closing costs.

What is mortgage insurance and why do I need it?

Mortgage insurance is insurance for the lender – not the borrower – that the borrower pays for. It protects lenders against losses when a home mortgage goes into default. You may qualify for a loan that you might not have been able to get without it. For borrowers making down payments under 20%, most lenders will require mortgage insurance. With at least 20% down, you will not have to worry about Mortgage Insurance.

When should I shop for homeowners insurance?

You can start shopping for homeowners, fire, and flood insurance as soon as your offer is accepted. As you start calling insurance providers, be sure to know the age of your home. If you are still unsure, your loan officer may be able to provide a recommendation.

What does P&I include?

P&I is the principal and interest that you will pay on a monthly basis. Principal is the money that pays down the balance of your loan and interest is the money that pays the lender for borrowing money. This does not include homeowners insurance, HOA (condo association dues), escrow (property taxes and insurance), etc.

Understanding mortgage escrow

Learn more about why mortgage escrow might be right for you.

A portion of the mortgage payment may be held in escrow to pay for property taxes and insurance. This is often referred to as "T&I" or Taxes and Insurance, which is different than the standard monthly payment of "P&I" or Principal and Interest. By electing to not escrow, you may incur an additional cost at loan closing, or it may impact your rate. And, you may be required to escrow if you have less than 20% equity in the home.

Is it necessary?

Mortgage escrow is primarily concerned with property taxes and insurance. Both elements are subject to fluctuations, and this is the major reason that lenders establish mortgage escrow accounts. The onus of calculating and accounting for this variability is not left to the borrower, thereby decreasing the risk of payment default and lapses in insurance.

Is escrow legally required to buy a home?

It depends on the loan. The Federal Housing Administration (FHA) requires mortgage escrow, not only to pay taxes and homeowner's insurance but also a mortgage insurance premium (MIP). Mortgage insurance premium is necessary for all FHA loans and conventional loans with a down payment less than 20% of the purchase price. Retail lenders have specific in-house policies related to mortgage escrow, with some requiring it and others incentivizing it by imposing an escrow waiver fee or offering lower interest rates.

What's the benefit?

Taxes and insurance are typically due bi-annually, whereas principal and interest are due every month. The benefit of a mortgage escrow account is that it allows the lender to split yearly PITI into 1/12 increments while making twice-yearly payments to the insurance company and county assessor. Mortgage escrow offers convenience by structuring all of your PITI into regular monthly payments throughout the year rather so you don't have to make separate payments on your own.

What's the drawback?

While your money sits in escrow, it typically does not earn interest. Some states require interest payments on escrow accounts; however, the U.S. Department of Housing and Urban Development (HUD) caps the total excess deposit amount, limiting the compounding advantages of other investment vehicles like CDs or savings accounts.

Consider the following to determine if a mortgage escrow is right for you:

- If you have an FHA loan, you don't have the option to waive escrow. If you have a conventional loan and have put more than 20% down, you can waive escrow.
- If you're comfortable with financial planning and saving, you can budget and pay for TI every six months and PI every month on your own and avoid escrow.
- Your lender may discourage you from waiving escrow by charging you directly or increasing the loan's interest rate. Every customer, lender and loan is different, so you'll need to know where you stand on this issue prior to closing by writing or calling your lender.
- If you live in a state where escrow accounts bear interest, there's little reason to waive escrow.
- If interest-bearing investments like CDs, money-market and savings accounts provide earnings opportunities that outweigh any negative consequences of waiving escrow, you have a good reason for managing your T&I money independently.

Please note, all funds deposited into escrow should be in the form of wires or cashier's checks from verified bank accounts. Cash is not acceptable because of safety and security reasons.

What’s next

You’ve chosen your loan program and completed your application, now what?

Should I payoff any large debts or balances I have?

No. While eliminating your credit card debt and paying off your balances are generally a good thing, if you’re starting the mortgage process, you don’t want to present a fluctuating credit profile as it could cause unnecessary delays. In some situations, your Mortgage Professional may direct you to pay down some balances, but you should wait for their direction before doing so.

Am I still allowed to make purchases on my credit card?

Yes, just hold off on any large purchases until the mortgage process is complete. Make sure to speak with your mortgage professional about your unique financial situation, but you’ll want to maintain a consistent financial profile and do not want to raise concerns with large purchases or frequent balance transfers.

When should I expect to receive the Loan Estimate (LE)?

You must receive your LE within three business days of submitting the mortgage loan application.

What might change on the LE?

The estimated closing costs included in the LE have the potential to change throughout the loan process, however, regulatory restrictions prevent the estimate from being drastically different from the final cost seen at the closing table, unless a valid change in circumstances exists.

When do I have to submit my intent to proceed?

You must submit your intent to proceed within 10 days of receiving the LE, otherwise the LE will expire and you may be required to re-apply.

Can my mortgage professional select my appraiser?

No. Mortgage professionals are prohibited from having any affiliation or communication with an appraiser or appraisal company involved in your mortgage transaction to ensure that the lender receives an objective opinion of value. The lender’s independent appraisal department makes all appraiser selections.

You’ve gotten the clear to close… When should I get the Closing Disclosure (CD)?

The lender is required to provide the CD at least three business days before closing – you will be unable to close until these three days have passed.

What will the CD tell me?

This will let you know how much money you need to bring to the closing for the closing costs, or how much will be refunded to you. It will also let you compare these costs with your initial LE, and give you the final loan details. Note that fees will not be returned unless required by state law.

Can I change my mind if I'm refinancing?

If you are refinancing your primary residence, there is a three-day right of rescission before the loan can be funded. This means that you can cancel the refinance if you change your mind within the three days after closing.

What is escrow?

A portion of the mortgage payment will be held in escrow to pay for property taxes and insurance. This is often referred to as "T&I" or Taxes and Insurance, which is different than the standard monthly payment of "P&I" or Principal and Interest. By electing to not escrow, you may incur an additional cost at loan closing, or it may impact your rate. You may be required to escrow if you have less than 20% equity in the home.

When can you tell me about the amount of funds required to close escrow?

Upon receipt of loan documents and preparation of your escrow instructions, your loan officer or escrow officer will contact you. Either person can tell you the amount of funds you will need to close escrow, and it will also be documented in the Closing Disclosure.

Can I pay my fees or down payment with a personal check?

No. Funds must typically be in the form of a wire transfer or cashier's check.

What will I need to take with me when I go in to sign my papers?

Bring your cashier's check payable to the title company, assuming the amount was given to you previously, as well as a valid driver's license, state I.D. card, valid passport or military I.D.

How do I know to where and whom I make my mortgage payments?

In your package at closing, you receive temporary payment statements and a payment letter that has details about where and when to send your initial payment. A few weeks after closing you will receive a welcome letter from your final payee with information and statements to guide you on where to send subsequent payments.

If you have more questions that aren't covered in this section, please reach out to your mortgage professional. We are always here to help.

Mortgage glossary

Unsure of mortgage terminology? We can help.

Adjustable Rate Mortgage (ARM)

A mortgage loan where the interest rate can go up or down over time. There is an adjustment period during which the rate will remain unchanged, but after this period, the rate will typically reset annually and the monthly payment on your loan will be recalculated.

Adjustment Cap

Lenders offer these to keep a rate from climbing too high—examples are 2/2/5 or 5/2/5. The first number indicates the percentage cap for the initial adjustment, the second is the cap on the subsequent adjustment and the third is the cap on the total adjustment over the life of the loan. For example, below is a breakdown of a 2/2/5 adjustment cap:

- The rate can adjust no more than 2% the first time it changes.
- The rate can adjust no more than 2% at the end of each adjustment period.
- The rate can adjust no more than a total of 5% from the initial rate over the life of the loan.

Adjustment Period

The period of your ARM loan in which the rate will remain unchanged.

Amortization

Describes the payment of a debt (your loan) with a fixed repayment schedule in regular installments over time. For example, if you have a 30-year fixed mortgage, that is your fixed repayment schedule and the regular installments of your principle and interest would be your monthly payments over that period. Principal is the money that goes toward paying down the balance of your loan and interest is the money you are paying the lender for borrowing money.

Annual Percentage Rate (APR)

The interest rate for a whole year, which is the cost of the loan to the borrower, including the fees charged for the loan.

Appraisal

An expert estimate of the fair market value of your home prepared on behalf of the lender.

Assessed Value

The value of a property as determined by a public tax assessor for the purpose of taxation.

Asset Accounts

An account that has value, whether checking, savings, IRA, stocks or 401k, etc.

Assumable Mortgage

A mortgage that a buyer can assume, or take over, from the seller of the property.

Buydown

The process of trading money for a lower mortgage rate. The borrower “buys down” the interest rate on a mortgage by paying points up front. It can also be a mortgage in which an initial lump-sum payment is made to temporarily reduce a borrower’s monthly payments during the first few years of a mortgage.

Cash Reserves

Cash reserves are liquid assets such as cash or marketable securities that remain in the borrowers’ accounts after the down payment and closing costs are paid.

Clear Title

A title that is free of liens or legal questions as to ownership of a piece of property.

Clear to Close

Once the underwriter has received all requested documents and cleared any outstanding conditions for loan approval, they will approve the loan for closing.

Closing

The meeting at which the sale of a property is finalized. The buyer signs the lender agreement for the mortgage and pays closing costs and escrow amounts. The buyer and seller sign documents to transfer ownership of the property. Also known as the settlement.

Closing Costs

Expenses incurred by buyers and sellers in transferring ownership of a property. Examples of closing costs include an attorney's fee, taxes, escrow payments, and charges for title insurance.

Closing Disclosure (CD)

This offers details about the costs and fees associated with your home financing, government taxes and other services. It is a multi-page document that contains the final loan information and is required to be received three days prior to closing.

Common Areas

Areas not owned by an individual owner of the condominium or cooperative residence, but shared by all owners, either by percentage interest or owned by the management organization. Common areas may include recreation facilities, outdoor space, parking, landscaping, fences and laundry rooms.

Comparables (comps)

Refers to "comparable properties," which are used for comparative purposes in the appraisal process. Comps are recently sold properties that are similar in size, location and amenities to the home for sale. Comps help an appraiser determine the fair market value of a property.

Conditional Approval

These are typically documentation requests, ranging from an updated paystub to a letter from a borrower's Certified Public Accountant (CPA) explaining any self-employed earnings. Requested documentation varies from loan to loan and by the situation of each borrower.

Condominium

Also known as a condo, refers to a large property complex divided into individual units. Although condos are usually part of a larger building, detached condominiums also exist, and are known as site condos. Ownership usually includes a nonexclusive interest in certain "common areas" controlled by a homeowners association.

Conforming Mortgage

A loan eligible for purchase by Freddie Mac and Fannie Mae.

Conventional Loan

A loan that's not guaranteed or insured by the federal government.

Credit Report

A report on a person's credit history prepared by a credit bureau and used by a lender in determining a loan applicant's record for paying debts in a timely manner.

Debt-to-Income Ratio (DTI)

The percentage of a person's monthly earnings used to pay off all debt obligations. Lenders consider two ratios, constructed in slightly different ways. The first, called the front-end ratio, is the ratio of the monthly housing expenses (including principal, interest property taxes and insurance) compared to the borrower's gross, pretax monthly income. In the back-end ratio, a borrower's other debts, such as auto loans and credit cards, are also figured in.

Deed

The legal document conveying title to a property.

Down Payment

This is the upfront payment that is a portion of the total amount due. This is typically expressed as a percentage of the total amount.

Equal Credit Opportunity Act (ECOA)

A federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status, or receipt of income from public assistance programs.

Equity

The value of a homeowner's unencumbered interest in real estate. Equity is the difference between the home's fair market value and the unpaid balance of the mortgage and any outstanding liens. Equity increases as the mortgage is paid down or as the property enjoys appreciation.

Escrow

A portion of the mortgage payment that will go toward property taxes and homeowner's insurance. This is often referred to as "T & I" or Taxes and Insurance, which is different than the monthly payment of "P & I" or Principal and Interest. The two together equal P.I.T.I. or a standard mortgage payment.

Escrow Agent

A neutral third-party appointed to act as custodian for documents and funds during the transfer from seller to buyer. Also known as an escrow officer.

Fannie Mae, Freddie Mac and Ginnie Mae

These are three separate entities that buy mortgages and sell them to investors. Fannie Mae and Freddie Mac are government sponsored enterprises, or private companies that are sponsored by the U.S. government. Ginnie Mae is a government agency that is a part of the Department of Housing and Urban Development.

Federal Housing Administration (FHA)

An agency of the U.S. Department of Housing and Urban Development (HUD) that insures residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money.

Fixed Rate Mortgage

A mortgage loan where the interest rate will not change for the term of the loan. Payment amounts will be consistent throughout the duration of the loan.

Floating Rate

If you choose to wait to lock your rate, your rate is considered floating – since it could go up or down depending on the market before you lock. After you lock your rate, you may still have the option to float down your rate. This means that if rates go down after you've locked, you may still have an opportunity to take advantage of the rate.

Hazard Insurance

Insurance coverage that compensates for physical damage to a property from natural disasters such as fire or other hazards. Depending where a piece of property is located, lenders may also require flood insurance or policies covering windstorms (hurricanes) or earthquakes.

Homeowners Association (HOA)

A nonprofit association that manages the common areas of a condominium or planned unit development (PUD). Unit owners pay to the association a fee to maintain areas owned jointly.

Impound

The portion of the borrower's monthly payments held by the lender or servicer to pay for taxes and hazard insurance as they become due.

Index

A published measure of the cost of money that lenders use to calculate the rate on an adjustable rate mortgage (ARM). The most common indexes are the one-year Treasury Constant Maturity Yield.

Intent to Proceed

After the borrower has received the Loan Estimate (LE), they must provide their loan officer with their intent to proceed (this can be written or oral, depending on your lender). If the borrower's intent has not been received after 10 days, the LE will expire.

Interest Rate

The rate with which they calculate the amount charged by a lender to a borrower for the use of their money. This will be expressed as an annual percentage of the outstanding loan. This does not include fees charged for the loan.

Interest Rate Index

This serves as a benchmark that will be used to calculate the interest rate. It is determined based on the financial instrument (or institution) to which the loan is tied.

Liabilities

A person's financial obligations.

Lien

A legal hold or claim from one person on the property of another. The lien placed by a first mortgage is special; it is called the first lien and takes precedence over others.

Loan Commitment Letter

A letter that indicates that the borrower's home loan has been approved. It is provided by the mortgage lender and indicates the borrower has passed the underwriting guidelines and that the lender is willing to provide the borrower a home loan under the terms provided.

Loan Estimate (LE)

This is a disclosure that you will receive within three days of submitting your loan application. It includes information about the loan applicants, general loan information and the status of your rate (whether it is locked). It is intended to outline the fee estimates for your purchase or refinance and cannot be drastically different from the final cost at the closing table, unless a valid change in circumstances exists.

Loan-to-Value (LTV)

The ratio of the mortgage loan amount to the property's appraised value or selling price, whichever is less.

London Interbank Offered Rate (LIBOR)

The most common market used for ARM rates. This index is the benchmark rate charged by some of the world's leading banks when they loan one another money.

Margin

The amount a lender adds to the index on an adjustable rate mortgage to establish the adjusted interest rate.

Market Value

A fair price for a home based on recent sales of properties of similar size and quality in the neighborhood.

Mortgage Contingency Date

A fixed period of time that is written into the home purchase contract in which the prospective buyer needs to be approved for a mortgage. If the prospective buyer cannot get a mortgage by this date, the buyer or seller can call off the whole deal.

Mortgage Insurance

A policy that insures the lender against loss should the homeowner default on a mortgage. It is part of the monthly mortgage payment. See also Private mortgage insurance (PMI).

Mortgage Rates

A quoted rate for a borrower based on numerous assumptions, such as good credit, adequate income, sufficient assets and occupancy (i.e., primary residence, second home or investment).

Negative Amortization

When your monthly payments are not large enough to pay all the interest due on the loan.

Non-conforming Loan

A mortgage that does not meet the purchase requirements of Fannie Mae and Freddie Mae.

Note

The document giving evidence of mortgage indebtedness, including the amount and terms of repayment.

Pre-Approval

This is the stage before approval, where a lender designates that a potential borrower is well-qualified to receive financing after reviewing their documentation on certain assets, income and expenses. This helps borrowers find a home within their loan amount range and shows sellers they are serious about buying a home.

Pre-Qualification

This means a borrower has informed a lender (either written or verbally) that they have certain income, assets and expenses and the lender has deemed the borrower likely to be qualified, but no documentation or application has been submitted or reviewed.

Rate Lock

This protects the borrower from rate fluctuation during the lock period. Generally, the lock period can be 10, 25, 40, 55, 70 or 85 days; the longer the lock period, the higher the rate.

Servicer

An organization that collects monthly mortgage principal and interest payments from home owners and manages escrow accounts for paying taxes and homeowners' insurance premiums. The servicer often services mortgages that have been purchased by an investor in the secondary mortgage market.

PITI

Stands for principal, interest, taxes, and insurance, which are the usual components of a monthly mortgage payment.

Points

A point equals 1% of a mortgage loan. Borrowers may pay discount points to reduce the loan interest rate. Buyers are prohibited from paying points on HUD or VA guaranteed loans. Within limits, points are usually tax deductible.

Prepayment Penalty

A fee imposed by certain lenders if the first mortgage is paid off early.

Principal

The term used to describe the amount of money that is borrowed for a mortgage. The principal amount that is owed will go down when borrowers make regular payments.

Private Mortgage Insurance (PMI)

Insurance that protects mortgage lenders against default on loans by providing a way for mortgage companies to recoup the costs of foreclosure. PMI is usually required if the down payment is less than 20% of the sale price. Home buyers pay for the coverage in monthly installments. PMI is usually terminated when the homebuyer has built up 20% equity in the property.

Rescission

The cancellation of a contract. The law that gives the homeowner three days to cancel the loan after signing for refinances.

Second Mortgage

A mortgage on property that has a lien position behind the first mortgage.

Title Insurance

Insurance that protects against loss from disputes over ownership of a property. A policy may protect the mortgage lender and/or the homebuyer.

TILA-RESPA Integrated Disclosure rule

A federal law that requires lenders to disclose, in writing, the terms and conditions of a mortgage, including the annual percentage rate (APR) and other charges.

Underwriting

The decision whether to make a loan to a potential home buyer based on credit, employment, assets and other factors, and the matching of this risk to an appropriate rate and term or loan amount.

®

If there are mortgage terms that are unclear to you, please reach out to your mortgage professional. We are always here to help.