



MORTGAGE BASICS

*FOR THE FIRST
TIME HOME BUYER*



VisionBank®

Member
FDIC



Equal Housing
Lender



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While buying your first home is a big decision, there are also lots of small decisions to make along the way to homeownership. To help you navigate the process, we've gathered suggestions for avoiding some of the most common mistakes.

1 UNDERSTANDING YOUR CREDIT



2 QUESTIONS TO ASK



3-4 THE MORTGAGE PROCESS



5 WHAT TO EXPECT



6-8 TERMS TO KNOW



UNDERSTANDING YOUR CREDIT

1

Home ownership is a big responsibility -- likely the most expensive purchase most of us will ever make. Your credit score plays an essential role in determining how much home you can afford. Take a moment to consider your current credit situation before applying for a mortgage.



35%

1. PAYMENT HISTORY

Before lenders extend credit to you, they will want to know if you pay your bills on time. Always make at least the minimum payment by the due date.



10%

2. TYPES OF CREDIT

Having a mix of loan types - such as credit cards, student loans, and mortgages - is good for your score. It shows lenders you can handle multiple payments at the same time.



10%

3. CREDIT INQUIRIES

Lenders see you as a bigger risk if you apply for, or open, several new credit accounts in a short period of time.



15%

4. LENGTH OF CREDIT HISTORY

Your score considers how long you've been using your credit accounts. Generally, longer is better.



30%

5. AMOUNTS OWED

High balances can hurt your score, since lenders prefer when you only use a small portion of your available credit.

1

2

3

4

5

WHAT TYPE OF MORTGAGE IS BEST FOR ME?

Our VisionBank mortgage lenders will be able to answer this question once you've completed a loan application and the lender takes stock of your employment, income, assets, credit, debit, expenses, down payment, and other information about your finances.

WHAT ARE YOUR CLOSING COSTS?

For home buyers, closing costs are the fees paid to a lender and other third parties that help facilitate the sale of a home. Here's what to budget for:

Prepaid Costs

- ✓ Next Year's Insurance
- ✓ Escrow Deposit

Closing Costs

- ✓ Attorney Fees
- ✓ Appraisal Fees
- ✓ Title Guaranty / Insurance
- ✓ Recording Costs
- ✓ Credit Report
- ✓ Flood Determination

HOW MUCH TIME DO YOU NEED TO COMPLETE A MORTGAGE?

VisionBank mortgage lenders typically facilitate closings in 30 days or less.

The caveat: Some types of loans often take longer to process. The entire FHA loan process, for example, may take 30 to 60 days from the time you apply for the loan to the day you close, since the house must pass an inspection conducted by the U.S. Department of Housing and Urban Development. And if the house requires certain repairs in order to pass inspection, they must be completed before the sale can go through.

WHAT DOCUMENTS DO I NEED?

- ✓ Personal identification
- ✓ 2 Months Pay Stubs
- ✓ W2s From the Previous Year
- ✓ 2 Years Tax Returns - If You Are Self Employed

At VisionBank we strive to keep your mortgage process simple, fast, and easy.



PREQUALIFICATION

Apply on-line. Your credit will be checked and, if approved, you will receive a "prequalification letter."



FIND A HOME

Find the right home for you. Make an offer, and negotiate the terms of your home purchase.



**DAY
1**

PURCHASE AGREEMENT

Lock in your interest rate, and submit your financial data for review.



**DAY
1-5**

HOME INSPECTION

A home inspection is generally optional. However, it should be ordered early in the mortgage process.



**DAY
5-19**

APPRAISAL

An appraisal is ordered to confirm the value of the property you are purchasing.

THE MORTGAGE PROCESS CONT.

4

**DAY
5-19**

ABSTRACTING & TITLE OPINION

The abstract of the property is brought up-to-date and reviewed. An attorney provides a legal opinion of the title.



**DAY
20-23**

UNDERWRITING (UW)

Financial and property information is evaluated.



**DAY
23-27**

UNDERWRITING CONDITIONS CLEARED

Any follow-up items requested by the underwriter are submitted.



**DAY
24-27**

FINAL APPROVAL

Underwriter issues a final loan decision. A closing disclosure (CD) is issued 3-6 days prior to closing. There is a 3-day waiting period after the CD is received.



**DAY
30**

LOAN CLOSING

Sign your loan papers and move into your new home!

WHAT TO EXPECT IN THE WEEKS TO COME

- ▶ If you're having an inspection of your new property, please let us know when this is complete and you've accepted this inspection so we may order your appraisal.
- ▶ We will contact the listing broker and your realtor with instructions to update the abstract and we will order the title opinion.
- ▶ Verification of your employment will be ordered.

TO STREAMLINE THE MORTGAGE PROCESS

PLEASE DO NOT:

- ✗ Quit your job or change jobs.
- ✗ Change bank accounts.
- ✗ Co-sign for anyone.
- ✗ Purchase an auto or take on additional debt.
- ✗ Sell an asset without a bill of sale.
- ✗ If you sell stock, we will need to verify the value of the stock.
- ✗ Withdraw or deposit unusual sums of monies into or out of accounts.
- ✗ Apply for a credit card.

DO:

- ✓ Make all loan payments on all accounts on time.
- ✓ Keep copies of all pay stubs

THINGS TO REMEMBER

- ▶ Arrange to purchase your homeowner's insurance at least three (3) weeks before you close your loan. We need you to drop off to your lender proof of coverage/annual premium amount/due date.
- ▶ We need this information at least one week before the closing date in order to close on schedule.
- ▶ Make arrangements to switch the utilities on the closing date or before.

ABSTRACT

A written history of all the transactions related to the title for a specific property. An abstract covers the period from the original source of title to the present time and summarizes all subsequent documents that have been recorded against that property.

AMORTIZATION

The gradual reduction in the principal amount owed on a debt. During the earlier years of the loan, most of each payment is applied toward the interest owed. During the final years of the loan, payment amounts are applied almost exclusively to the remaining principal.

ANNUAL PERCENTAGE RATE (APR)

The annual cost of a loan to a borrower. Like an interest rate, the APR is expressed as a percentage. Unlike an interest rate, however, it includes other charges or fees (such as mortgage insurance, some closing costs, discounts, points, and loan origination fees) to reflect the total cost of the loan. The Federal Truth in Lending Act requires that every consumer loan agreement disclose the APR. Since all lenders must follow the same rules to ensure the accuracy of the APR, borrowers can use the APR as a good basis for comparing the costs of similar credit transactions.

CASH TO CLOSE

The amount of money a home buyer needs in verified funds at the closing of the loan. This typically includes the down payment, closing costs, and initial escrow deposit.

CLOSING COSTS

Closing costs, also known as settlement costs, are the costs incurred when obtaining your loan. Costs may include and are not limited to: attorney's fees, preparation and title search fees, discount points, appraisal fees, title guaranty / insurance, and credit report charges.

CONDITIONAL PREQUALIFICATION

A lender's review of a borrower's qualification to borrow money to purchase a home. This is not a commitment to lend.

CONTINGENCY

A specified condition in a sales contract that must be satisfied before the home sale can occur. When buying a home, a common contingency is that the house must pass a home inspection.

CREDIT SCORE

A number that rates the quality of an individual's credit. The number helps predict the relative likelihood that a person will repay a credit obligation, such as a mortgage loan. In general, the higher your credit score, the more likely you are to be approved for and to pay a lower interest rate on a loan.

DEBT - TO - INCOME RATIO

Your total monthly debt payments, including loans, credit cards and court - ordered payments divided your gross monthly income before taxes and expressed as a percentage. The lower this ratio, is the greater the borrower's capacity to repay the loan.

DEED

A document that legally transfers ownership of the real estate from a seller to a buyer and delivered to the buyer at closing. Before making a loan, a lender will usually require a title examination to make sure the borrower legally owns the real estate that is being used to secure the loan. There are many types of deeds, In Iowa a home buyer typically receives a Warranty Deed.

EQUITY

The difference between the fair market value (appraised value) of your home and your outstanding mortgage balances and other liens.

HOMEOWNERS INSURANCE

Insurance to protect your home against damage from fire, hurricanes and other catastrophes. Usually, homeowners insurance also covers you against theft and vandalism, as well as personal liability in case someone is hurt or injured on your property. Your VisionBank mortgage lender will be able to recommend the best agents in your area.

LOAN - TO - VALUE RATIO (LTV)

The ratio between the amount of your loan and the appraised value of your collateral expressed as a percentage. For example, if you have an \$80,000 first mortgage on a property with an appraised value of \$100,000, the LTV is 80% ($\$80,000 / \$100,000 = 80\%$).

MORTGAGE INSURANCE

Insurance that protects the lender if you default on your loan. If your down payment is less than 20%, most lenders will require you to pay mortgage insurance. Also called private mortgage insurance.

PITI

An acronym for principal, interest, taxes, and insurance. Also referred to as the monthly housing expense.

POINTS

An amount paid to the lender, typically at closing, to lower (or buy down) the interest rate. One discount point equals one percentage point of the loan amount. For example, 1 point on a \$100,000 mortgage would cost \$1,000.

PREPAID EXPENSES

The expenses that are usually paid in advance, such as escrows for taxes and insurance (which are paid at closing). Often referred to as an escrow deposit. This figure is added to your downpayment and closing costs to determine how much cash a home buyer needs to close on their loan.

PRINCIPAL BALANCE

The unpaid portion of the loan amount. The principal balance does not include interest or any other charges.

PURCHASE AGREEMENT

A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

RATE LOCK

A commitment issued by a lender to a borrower guaranteeing a specific interest rate for a specified number of days. A rate lock expiration occurs when that period has passed, this may cause the interest rate to change.

TITLE

Written evidence of ownership in property.



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