Mortgage Basics for the First Time Home Buyer

See what we can do for you.

VisionBank®

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.

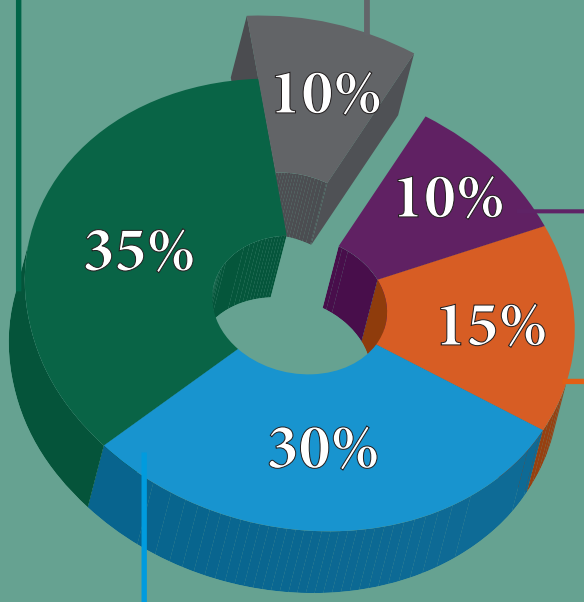
VisionBank® Mortgage Member FDIC Equal Housing Lender

Understanding Your Credit

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 determening how much home you can afford. Take a moment to consider your current credit situation before applying for a mortgage.

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.



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.

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.

4. Length of Credit History

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

5. Amounts Owed

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

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THE MORTGAGE PROCESS

PREQUALIFICATION

Apply online. 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.

PURCHASE AGREEMENT

Day 1

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

HOME INSPECTION

Day 1-5

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

APPRAISAL

Day 5-19

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

ABSTRACTING & TITLE OPINION

Day 5-19

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

UNDERWRITING (UW)

Day 20-23

Financial and property information is evaluated.

UNDERWRITING CONDITIONS CLEARED

Day 23-27

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

FINAL APPROVAL

Day 24-27

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.

LOAN CLOSING

Day 30

Sign your loan papers and move into your new home!

Q&A

Mortgage Lender Q&A

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	Closing Costs
• Next Years Insurance • Escrow Deposit	• 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.

Expectations

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 paystubs.

Things to Remember

Arrange to purchase your home-owner'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 arangements to switch the utilities on the closing date or before.

Glossary

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 a homebuyer 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. For new purchases, these costs also include ownership transfer of any collateral property from the seller to you. Costs may include and are not limited to: attorney's fees, preparation and title searrch 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.

Glossary

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.

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 **P**rincipal, **I**nterest, **T**axes and **I**nsurance. 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 down-payment and closing costs to determine how much cash a home buyer needs to close on their loan.

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.