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# 3 Easy Steps to Homeownership

## GETTING STARTED

**Being pre-approved for a mortgage increases your buying power. Find out why these 3 steps can make the difference!**

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# Step 1: Know Your Options

## BEFORE YOU SHOP FOR A HOME

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**Step 1 involves exploring a few items such as:**

- How much of a monthly payment can you afford?
- How much a lender will loan to you?

**As your lender we will help you through the different scenarios by asking a few simple questions. Based on standard lending guidelines, we will best determine what kind of terms and loan programs you can expect to be most beneficial for you.**

- How much am I comfortable spending on a monthly basis?
- Do I have enough money for a down payment?
- How long do I see myself living in the new home?
- What type of loan best suits my needs?

**By asking a few simple questions, we will give you a good idea of how much home you can actually afford and what kind of terms and loan process you can expect.**



# Step 2: Qualifying for a Mortgage

## PART 1: WHAT FACTORS GO INTO DETERMINING MY MORTGAGE

We ask a lot of questions because we want to help you get the right loan option. By working with us before deciding on a home, you will know whether you will qualify for a mortgage large enough to finance your dream home.

- **How does my credit score affect my mortgage options?**
  - Once you apply, we will give you a copy of your credit report. Check for mistakes or items that were maybe reported in error.
- **What is my credit score?**

### Credit Score Range



- **What does my credit score affect?**
  - Down Payment Requirement
  - Interest Rate
  - Private Mortgage Insurance (PMI)
  - Type of Loan
    - FHA, VA, Conventional, Jumbo etc.



# Step 2: Qualifying for a Mortgage

## PART 2: WHAT FACTORS GO INTO DETERMINING MY MORTGAGE

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To determine if you qualify for a loan, we will consider:

- Your credit history
- Your monthly income— pretax
- Your monthly expenses
- How much cash you have accumulated for a down payment

So how much house can you afford? To know that, you need to understand a simple concept called debt-to-income (DTI) ratios.

By dividing all of your monthly liabilities by your gross monthly income, we come up with a percentage. This figure is known as your DTI, and must fall under a certain percentage in order to qualify for a mortgage.

$$\text{DTI} = \frac{\text{Monthly Debt Payments}}{\text{Gross Monthly Income}}$$



# Step 3: Get Pre-Approved

## ONCE YOU ARE PRE-APPROVED, WE WILL BE ABLE TO DETERMINE WHICH HOMES ARE IN YOUR PRICE RANGE

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Once you have supplied all the required information about your employment, assets, current residence history and other pertinent items, we will ask for your permission to obtain your credit report.

Once all this information is reviewed, we are able to determine the amount you can borrow and provide you with a Pre-Approval Letter. While you're choosing the perfect home, we are busy finalizing your loan.

### Documents Required for a Pre-Approval:

- W-2s for 2 years
- 2 years of tax returns
- Bank statements for the last 2 months (all accounts) with an explanation for any large deposits
- Most recent year to date pay stub reflecting a minimum of 30 days of income
- If self-employed, year to date profit and loss statement, plus signed tax returns for last 2 years
- Additional documents may be required

**Remember, when the seller knows you are pre-approved, it gives you real negotiating power. See if you qualify!**



# Homebuying Tips

## THE DO'S AND DON'TS

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**There are many things to keep in mind prior to seeking a mortgage. Below is a loan check list of Do's and Don'ts to help you avoid any glitches.**

### DO'S

- Keep concise records of all large deposits and transfers to/from your bank accounts since we are required to document it
- Continue making your rent or mortgage payments on time
- Stay current on all your existing credit cards and other accounts
- Keep working at your current employer
- Make sure your funds are in liquid form 7 days before settlement
- Call your loan officer if you have questions or want to change your finances in any way



### DON'TS

- Take out a new loan or make any major purchases such as a car, furniture, etc. (if you really need to, ask your loan officer first)
- Apply for new credit (even if you're "preapproved")
- Open, close or consolidate any credit cards
- Transfer or increase your credit card balances
- Pay off any collections (ask your loan officer first)
- Change bank accounts

# Mortgage Process

## MORTGAGE DOCUMENTS EXPLAINED

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| Document                  | Who Provides It             | When  |
|---------------------------|-----------------------------|---|
| Credit Report             | Credit Agency via Lender    | With application  |
| Pre-approval letter       | Lender                      | After lender reviews credit, income and assets                |
| Sales Contract            | You and Seller              | When you agree to price and terms                             |
| Home Inspection           | You via your Home Inspector | Usually with in 5 days form seller's acceptance of your offer |
| Mortgage Application      | Lender                      | Start of home purchase  |
| Good Faith Estimate (GFE) | Lender                      | Within 3 days of getting the application.                     |
| Truth-In-Lending (TIL)    | Lender                      | Within 3 days of application                                  |
| Property Appraisal        | From Appraiser              | Usually within 7-14 days                                      |
| HUD-1 Statement           | Title company via Lender    | 1 day prior to closing  |
| Title Insurance           | Title company               | At closing  |
| Copy of Driver's License  | You                         | At closing  |
| Deed                      | Title Company               | At closing  |
| Mortgage Note             | Lender                      | At closing  |
| Proof of Home Insurance   | You                         | 3-5 days prior to closing                                     |
| Survey                    | Seller                      | At closing  |
| Money to close            | You                         | At closing  |

# Glossary

## MORTGAGE LINGO

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- **Amortization**— the gradual reduction of debt over the term of the loan. It occurs through the repayment of principal
- **Annual Percentage Rate (APR)**— the yearly cost of a mortgage including interest and other expenses or charges such as private mortgage insurance and points expressed as a percentage
- **Appraisal**— a written estimate of a property's current market value
- **Closing Costs**— expenses over and above the cost of property, which can include items such as title insurance, appraisal, processing, underwriting and surveying fees
- **Credit Score**— A credit score is a number that is used to predict how likely you are to pay back a loan on time.
- **Deed**— the legal document that transfers property from one owner to another
- **Down payment**— the amount of your home's purchase price you pay up front
- **Earnest money**— deposit made by a buyer toward the down payment to show good faith when the purchase agreement is signed
- **Equity**— the monetary difference between your mortgage balance and the actual market value of your home
- **Good Faith Estimate**— written estimate of the closing costs the borrower will likely have to pay to obtain the loan
- **Principal**— the balance (not counting interest) owed on a loan
- **Private Mortgage Insurance (PMI)**— Insurance to protect the lender in case the borrower defaults on the loan
- **Sales Contract**- signed by buyer and seller stating the terms and conditions under which a property will be sold
- **Settlement Attorney**- conducts the settlement at the end of the home buying process. Also responsible for the legal aspects of the transaction, such as title search and deed recording.
- **Term**— number of years you to pay back the loan
- **Title**— document that shows ownership of a property
- **Underwriting**— the process of determining the risks involved in a particular loan and establish suitable terms and conditions for the loan

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