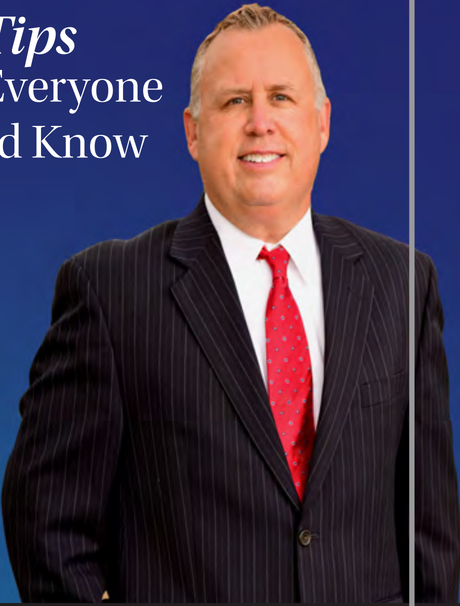
MORTGAGES

12 *Tips* Everyone Should Know



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"Financing a home is one of the biggest decisions in your life and we consider ourselves Mortgage Advocates for you. We believe you have the right to our time; you have the right to qualified advice; and you have the right to tell your story.

You can achieve the dream of home ownership and the benefits it brings you. Whether your credit is excellent or have some credit challenges, we will find a solution for your situation and be with you the whole way on your journey to homeownership."

SUCCESS MORTGAGE PARTNERS, INC. is an independent licensed mortgage bank founded on May 1, 2002. We have helped thousands of individuals and families around the country make their homeownership dreams come true for over twenty years!

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EQUAL HOUSING OPPORTUNITY

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Introduction

Greetings! Please let me be the first to congratulate you on your desire to purchase a new home and/or refinance your existing home in order to put you and your family in a better financial position.

Owning a home in this country is one of the bedrocks of our society. After hundreds of years, it is still the greatest wealth creator in our country, including the passing on of generational wealth.

This booklet is designed with you and your financial needs in mind. Selecting the correct mortgage is one of the largest financial decisions a person will make, often times THE largest.

I am a mortgage professional, licensed and continually trained in all aspects of the mortgage industry. I have been working for years to educate myself to be a constant resource for my clients — not only for this transaction, but for all the ones in your future. After years in this industry, I have determined that one of the best resources that I can provide is education about mortgages.

I designed this book as a "quick read." My sole and only goal was to sharpen your mortgage knowledge in 15 minutes or less. I have picked a dozen important topics and organized them into a sequence that flows intuitively.

Obviously, the mortgage industry is larger than a dozen topics! There may be items of great interest to you that have not yet been covered. For example, reverse mortgages. If you are 62 or older, did you know there is a mortgage program backed by the United States federal government that would never require a monthly payment?

Thank you for taking the time to look through this booklet. Please feel free to reach out to me. Also, you could scan my QR code to download more valuable information. I look forward to speaking with you soon!

TIP **1**

Work with a Mortgage Professional.

My ONLY INCENTIVE is to help you make the best decision for you and your family.

This tip is an absolute MUST. How you pay for your home (whether buying or refinancing) is one of the biggest financial decisions you will ever make. Owning a home is THE LARGEST DRIVER of wealth accumulation and a great way to pass that wealth from generation to generation. Obtaining a mortgage is a crucial step and I am here to help you choose the appropriate loan to suit your financial needs. We will go over the different types of loan products (Conventional, FHA, VA, etc.), how much money you will need to put down, and what loan term (30, 20, 15, or 10 year) works best for you.

You need a true expert: a mortgage professional like me. I am licensed in every state in which I originate mortgages. Unlike loan officers who work in banks or credit unions, I must take classes and pass tests to assist you with your mortgage. I take continuing education every year to stay on top of current trends and issues and I have passed multiple background checks. This is my professional career and I want to be prepared to help you and your family make the best financial decisions throughout this mortgage process (and beyond!).

One more reason to work with me: the income I earn is NEVER dependent on what type of mortgage you choose or the rate that you pay.

TIP 2

Choosing the Right Type of Mortgage for You.

There are five main types of mortgages.

- Conventional loan
- FHA loan
- VA loan
- Rural Development loan
- Jumbo

A *Conventional loan* is what a majority of borrowers select. A conventional loan is backed by Fannie Mae and Freddie Mac.

An *FHA Loan* is preferred by some borrowers because it often allows for a lower down payment or more borrower friendly underwriting terms. FHA is backed by the government and requires mortgage insurance (MIP) no matter how much you put down.

A *VA loan* is an excellent choice for most veterans. If you have served our nation in the armed forces or the Coast Guard, you are most likely eligible for a VA loan (which veterans have earned — thank you for your service!) .

A *Rural Development loan* offered through the US government can also be an excellent option. You'd be surprised at what is considered "rural."

A *Jumbo loan* is any amount that is over the current conventional conforming loan limits. The conventional conforming limit is set by the government and changes annually.

A true mortgage professional like me can walk you through all of the available loan types and find the best selection for your needs!

TIP 3

How do I (the Loan Officer) Get Paid?

I get paid a commission from my company.

That commission NEVER changes based upon the type of loan you select or the interest rate you pay. It also NEVER varies based upon the loan terms (i.e. if you pay points or not). I pledge to you that I will always suggest what I think is the BEST decision for you, your family, and your financial goals. Unlike many other professions (stockbrokers for example) my paycheck never changes based upon these decisions. My only desire is to put you in the absolute BEST mortgage possible.

“Points” are an upfront mortgage cost paid at closing — usually paid to secure a lower interest rate.

TIP **4**

What Are "Points" and Should You Pay Them?

"Points" are an upfront mortgage cost paid at closing — usually paid to secure a lower interest rate. A "point" is usually expressed as a percentage of the overall mortgage amount (one point equals one percent of the mortgage amount). Paying points may or may not be a good financial decision.

Usually the best indicator of points being worthwhile is how long you are going to stay in that mortgage. On certain types of purchase mortgages, the seller of the home can pay the points on behalf of the borrower which can be very helpful. I will go over the advantages and disadvantages of paying mortgage points based on your specific needs.

The THREE Cs of the
Mortgage Underwriting Hat Trick:
CREDIT – CAPACITY– CASH

TIP **5**

The Mortgage Underwriting Hat Trick– Are You "Mortgageable"?

Your ability to obtain a mortgage largely revolves around three co-equal parts:. Credit, Capacity to pay and Cash on hand. We will help you determine your debt-to-income ratio (often called "DTI") and the Loan-To-Value ratio (often called "LTV").

Basically, do you have a good credit score? Also, can your monthly budget afford to make the anticipated mortgage payment (remember you still must buy food, clothes and gas!). Finally, what percentage of your home's value will be covered with a mortgage (oftentimes underwriting rules vary by size of down payment, especially considering the type of mortgage you select)?

Your Tri-Merge credit score is a combined report from each of the 3 major credit bureaus: Equifax, Experian and Trans Union.

TIP 6

Let's Talk About Credit Scores—Is Yours Good (or Good Enough)?

Your credit score comes from a report called a "Tri-Merge" because you have three combined scores — one from each of the major credit bureaus: Equifax, Experian and Trans Union. When you obtain a tri-merge (I can help you with that!) it is the middle score used in the mortgage underwriting process. If you have a co-borrower (like a spouse) it is the lower of the two middle scores. Most Americans know that scores can range from above 800 (a very good score) to less than 500 (a score that may need some help to make someone mortgageable).

The biggest driver of your credit score is your past payment history

TIP 7

What Effects Your Credit Score?

The biggest driver of your credit score is your past payment history (do you make on-time payments or are you occasionally — or often — late?).

How much do you owe (auto loans, credit cards or student loans)?

How long have you had credit?

It is counter-intuitive, but never having consumer debt (credit cards, auto loans) can hurt your score because you have no (or very little) history of making on-time payments.

Sometimes even small improvements to your score can make a BIG difference.

TIP 8

Can Your Credit Score Be Improved?

YES! Many scores do not need to be improved because doing so would not affect the underwriting of your mortgage. However, sometimes even small improvements to your score can make a big difference. For example, paying down credit card debt can lower your usage of available credit, thus improving your score. Removing incorrect late payments and eliminating credit inquires that were not authorized can also improve your score (relatively) quickly. I can help you implement a plan so you are in a better position to purchase and one of the many reasons it is important to work with a PROFESSIONAL.

Your fixed monthly payments (your total monthly debt payments added together) generally should not exceed 50% of your total income.

TIP 9

Why is Debt-To-Income Important?

When you get a loan, the mortgage company wants to make sure you can repay it. The underwriter will calculate a quasi monthly budget for you. The underwriter considers your income and other fixed payments in this calculation (car payments, student loans or credit card minimums for example). Depending on the type of loan, your fixed payments (including your potential new mortgage) generally shouldn't exceed 50% of your total monthly income.

There are many exceptions or variances based upon the type of loan and your personal circumstance. I can help you understand the differences and assist you in navigating this somewhat complicated process!

2-2-2.
TWO years of W-2s
TWO current pay stubs
TWO months of bank statements.

TIP **10**

What Financial Information Will You Need to Provide During the Mortgage Process?

The mortgage process is quite thorough but it's as simple as 2-2-2. In addition to a copy of your driver's license, you will need: TWO years of W-2s for each borrower (self employed borrowers will likely need TWO years of tax returns); TWO current pay stubs and the last TWO months of bank statements. There may be some other requirements based upon the type of loan you select. It is a good idea to start gathering your financial documents!

Mortgage Insurance is “our friend.”
It allows you to put less than 20% down!

TIP **11**

What Is "Mortgage Insurance" and Is It Beneficial?

Contrary to what it sounds like, mortgage insurance will not make your payment if you are unable. Mortgage insurance is for the mortgage company not the borrower.

However, Mortgage insurance is your friend. It allows you to put less than 20% down and helps borrowers keep more of their hard-earned savings!

There are different types of mortgage insurance available and they also vary depending on what type of loan you select (government, conventional or perhaps jumbo). Let me put my professional experience to work for you to investigate and find the best solution for your financial needs!

Rates often increase faster than they decrease

TIP 12

Should You "Lock" or "Float" Your Interest Rate?

Congratulations!! If you are considering this question, you have most likely found a property and begun the mortgage application process. Locking an interest rate means the mortgage company and you have contractually agreed what your interest rate will be. That means the rate is guaranteed so long as you close in the agreed amount of time (usually 30 days). "Floating" the interest rate means the rate can go up or down subject to movements in the financial markets.

In today's fast information society, rates can and do fluctuate often — sometimes a couple of times within the same day. Most borrowers choose the certainty of locking (and then closing) their loan.

Mortgage Commandments

The best thing to do is keep everything the same until after the closing process.

Financial actions have consequences. Changing your financial profile before closing your loan will often produce a negative outcome. Therefore, please follow these eight simple "Mortgage Commandments":

1. Do not take on more debt.
2. Do not change jobs.
3. Do not max out your credit cards.
4. Do not close any credit accounts.
5. Do not spend your down payment money.
6. Do not buy anything new (like furniture) with down payment money or on credit.
7. Do not co-sign on someone else's loan (or take out a new loan yourself).
8. Do not become self-employed (this would likely significantly alter your approval).

Conclusion

I hope you found this booklet a helpful step in your mortgage process. Mortgage decisions are some of the largest financial choices a person will ever make — for many it's THE largest. I have dedicated my career to helping borrowers like yourself make the best choices — ones that will benefit them throughout their lifetime. I am excited about the possibility of being a positive resource for you. I look forward to meeting you!

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Utah-DFI Residential First Mortgage Notification	No State License No.
Utah-DRE Mortgage Entity License	11450403
Virginia Broker License	MC-6930
Virginia Lender License	MC-6930
Washington License Number	CL-130562
West Virginia Mortgage Lender License	ML 130562
Wisconsin Mortgage Banker License	130562BA
Wisconsin Mortgage Broker License	130562BR
Wyoming Mortgage Lender/Broker License	2785

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