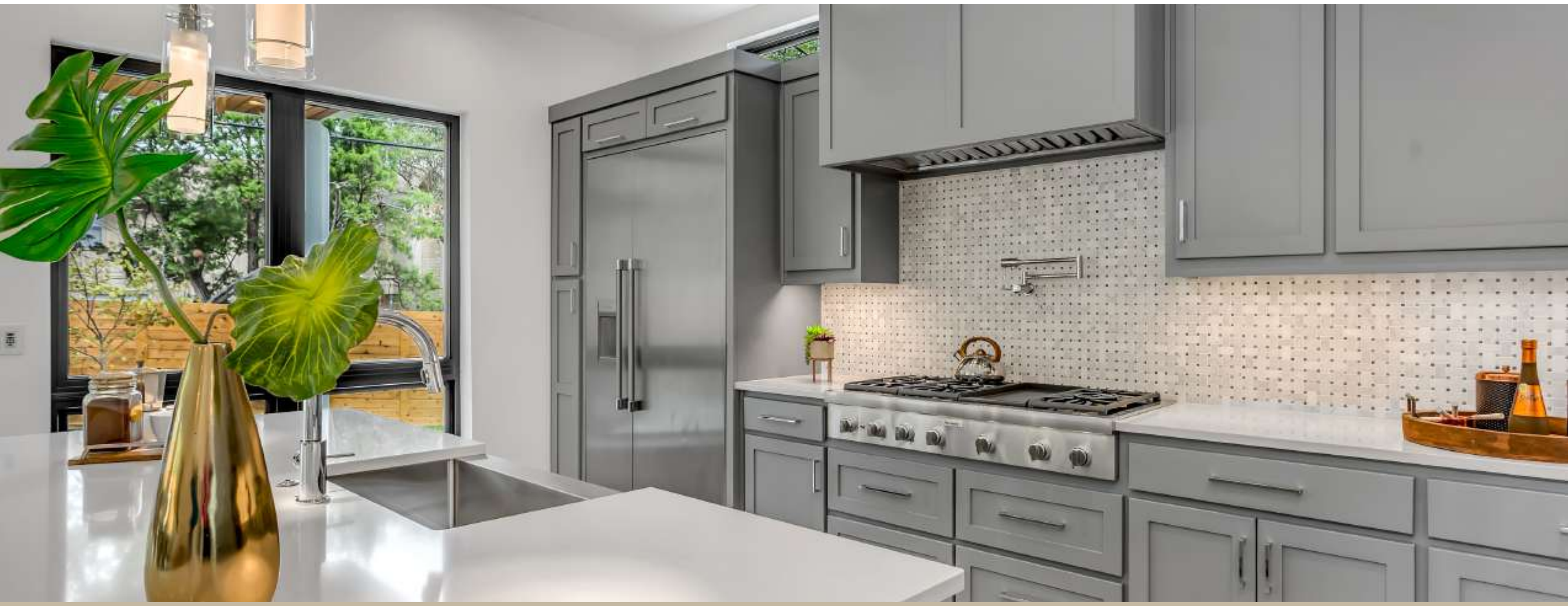
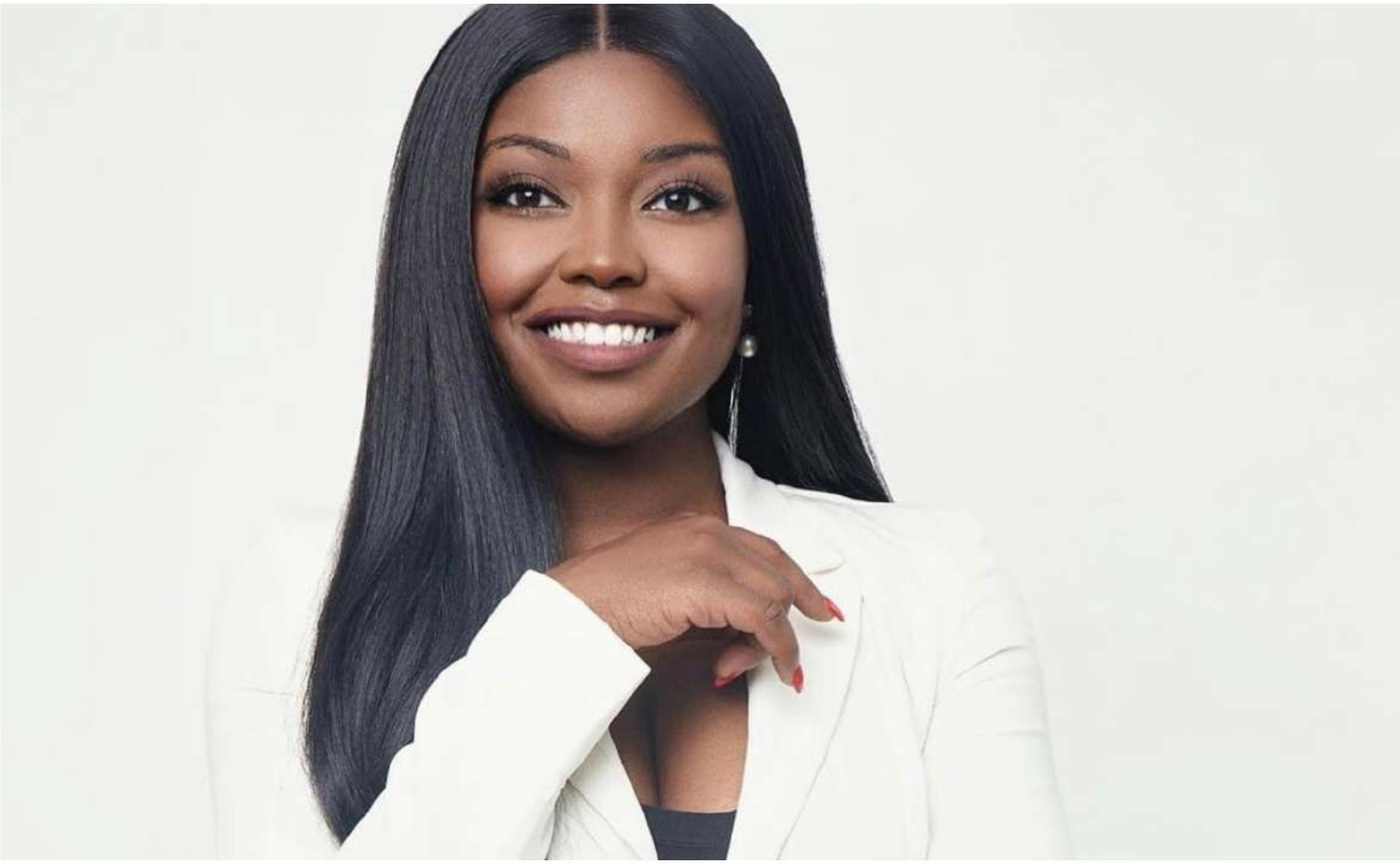
THE MORTGAGE GUIDE

A COMPLETE HOME BUYERS GUIDE TO EVERYTHING MORTGAGE

LLEDON STOKES

TABLE OF CONTENTS





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Lledon partners with clients in all stages and at all price points as she guides them through the process with ease. Whether you are looking to expand your wealth portfolio or purchase your first home, Lledon combines her enthusiasm for real estate with a can-do attitude to drive unrivaled results!

Lledon Stokes

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WHAT IS Mortgage?

A simple definition of a mortgage is a type of loan you can use to buy or refinance a home. Mortgages are also referred to as “mortgage loans.” Mortgages are a way to buy a home without having all the cash upfront.

Who Gets a Mortgage?
Most people who buy a home do so with a mortgage. A mortgage is a necessity if you can’t pay the full cost of a home out of pocket. There are some cases where it makes sense to have a mortgage on your home even though you have the money to pay it off. For example, investors sometimes mortgage properties to free up funds for other investments.

How Does A Mortgage Loan Work?
When you get a mortgage, your lender gives you a set amount of money to buy the home. You agree to pay back your loan – with interest – over a period of several years. You don’t fully own the home until the mortgage is paid off.The interest rate is determined by two things: current market rates and the level of risk the lender takes to lend you money. You can’t control current market rates, but you can have some control over how the lender views you as a borrower. The higher your credit score and the fewer red flags you have on your credit report, the more you’ll look like a responsible lender. In the same sense, the lower your DTI, the more money you’ll have available to make your mortgage payment. These all show the lender you are less of a risk, which will benefit you by lowering your interest rate.

THE PROCESS

01

Find a Lender

Your homebuying quest shouldn't start with looking for a house. It should start with finding a lender. Mortgages are long-term relationships, and you'll want to be confident that your mortgage provider offers a strong combination of quality service and competitive pricing.

02

Get Preapproved

A preapproval is a preliminary indication of how large a mortgage you qualify for. The lender will do an initial evaluation of your ability to afford a mortgage payment including property taxes and insurance, based on your credit score, income and debts. The process may also help identify any potential problems with your credit.

03

Make an Offer

Once you've found an affordable property you like, you can make an offer. Be sure to put the seller's asking price into context by researching the selling prices of comparable homes in the area. I will help you prepare a comparative market analysis to determine a fair offer.

04

Finalize the Loan

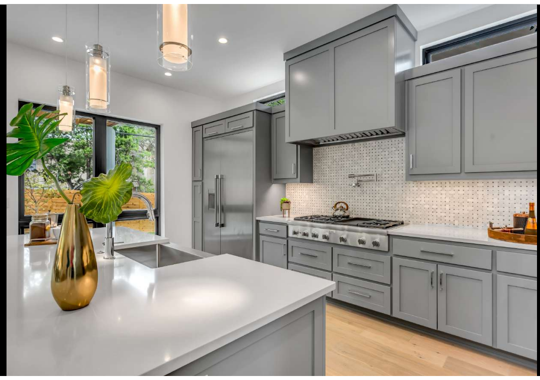
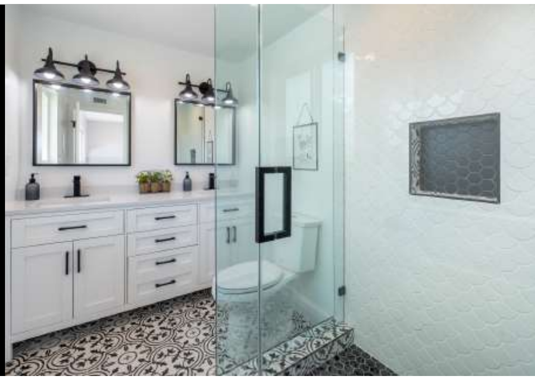
To move forward in the mortgage process, the lender will formally evaluate your information through a process called underwriting. The goal is to assess your ability to repay the money you borrow. Doing so includes a check of your credit score, income, assets and past and current debts.

05

Close on your Home

Closing is the last stage in both the mortgage and homebuying processes. It's a meeting of the buyer, seller and other professionals involved in the transaction. Depending on your location, buyers and sellers may meet as a group or separately. At closing, you'll sign dozens of documents. Some are specifically associated with the mortgage.

PREQUALIFICATION

Mortgage prequalification is an informal evaluation of your creditworthiness and how much home you can afford. Prequalification indicates whether you meet the minimum requirements for a loan and how big that loan may be. Prequalification is an important step for those who aren't sure whether they're financially ready for homeownership.

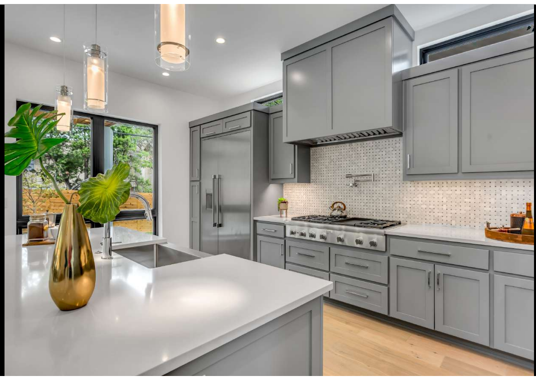
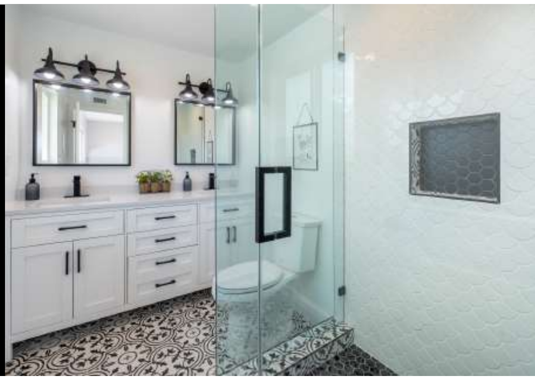
What Information do I need to provide?

- Income Information
- Credit Check
- Basic Information About Bank Accounts
- Down Payment Amount and Desired Mortgage Amount
- No Tax Information Required

Which is right for me?

First-time homebuyers are more likely to find that getting prequalified is helpful, especially when they are establishing their home buying budget and want an idea of how much they might be able to borrow.

PREAPPROVAL

Preapproval is as close as you can get to confirming your creditworthiness without having a purchase contract in place. You will complete a mortgage application and the lender will verify the information you provide. They'll also perform a credit check. If you're preapproved, you'll receive a preapproval letter, which is an offer (but not a commitment) to lend you a specific amount, good for 90 days.

What Information do I need to provide?

- Copies of Pay Stubs that Show your Most Recent 30 Days of Income
- Credit Check
- Bank Account Numbers or Two Most Recent Bank Statements
- Down Payment Amount and Desired Mortgage Amount
- W-2 Statements and Personal/ Business Tax Returns from the Past Two Years

Which is right for me?

Preapproval can be extremely valuable when it comes time to make an offer on a house, especially in a competitive market where you might want to stand out among other potential buyers. Again, a seller will be more likely to consider you a serious buyer because you have had your finances and creditworthiness verified.

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Types of Loans

CONVENTIONAL

A mortgage in which the interest rate remains the same throughout the entire life of the loan is a conventional fixed rate mortgage. These loans are the most popular ones, representing over 75% of all home loans. They usually come in terms of 30, 15, or 10 years, with the 30-year option being the most popular. While the 30-year option is the most popular, a 15-year builds equity much faster.The biggest advantage of having a fixed rate is that the homeowner knows exactly when the interest and principal payments will be for the length of the loan. This allows the homeowner to budget easier because they know that the interest rate will never change for the duration of the loan.

NON-TRADITIONAL

A nontraditional mortgage broadly describes mortgages that do not have standard conventional characteristics. ... Nontraditional mortgages often come with higher interest rates because of the higher payment risks associated with the loan.

FHA

An FHA Loan is a mortgage that's insured by the Federal Housing Administration. They allow borrowers to finance homes with down payments as low as 3.5% and are especially popular with first-time homebuyers.FHA loans are a good option for first-time homebuyers who may not have saved enough for a large down payment. Even borrowers who have suffered from bankruptcy or foreclosures may qualify for an FHA-backed mortgage.

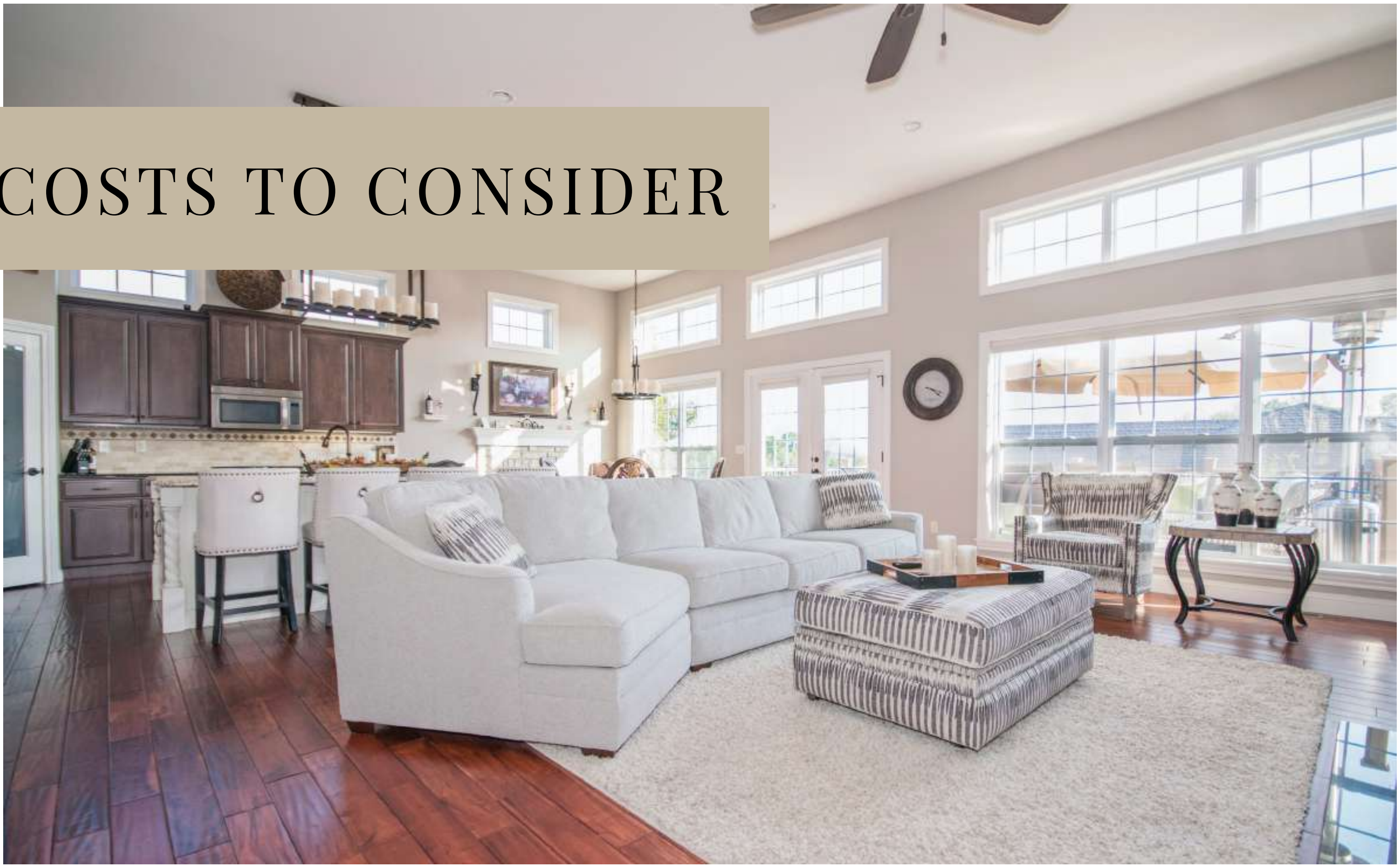
VA

VA loans are guaranteed by the US Department of Veteran Affairs. They help veterans & active duty military members afford purchasing a home without requiring a down-payment by guaranteeing 20% of the loan's value up to the conforming loan limit.

USDA

A USDA home loan is a zero down payment mortgage for eligible rural and suburban homebuyers. USDA loans are issued through the USDA loan program, also known as the USDA Rural Development Guaranteed Housing Loan Program, by the United States Department of Agriculture.

COSTS TO CONSIDER

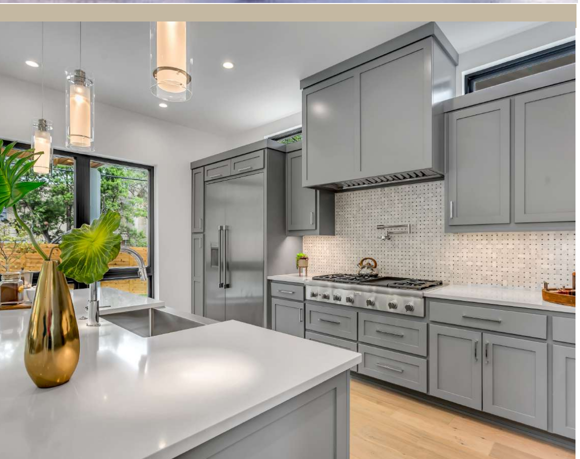


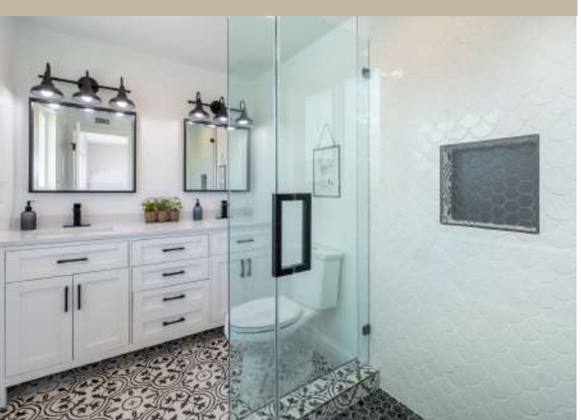
Earnest Money
Earnest money is a deposit made to a seller that represents a buyer's good faith to buy a home. The money gives the buyer extra time to get financing and conduct the title search, property appraisal, and inspections before closing. The cost is typically 1-2% of purchase price

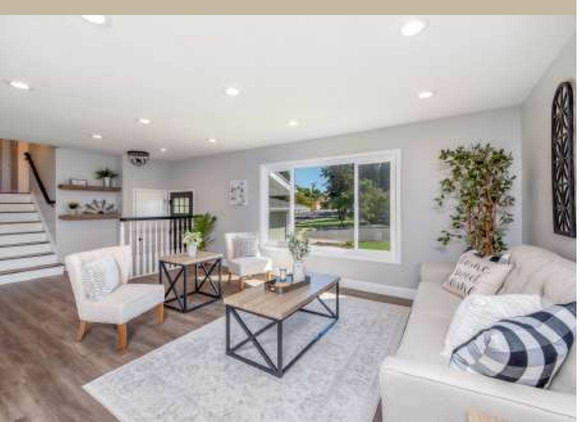
Down Payment
Your minimum down payment depends on the type of mortgage, the lender and your finances. A 10% down payment on a $350,000 home would be $35,000.When applying for a mortgage to buy a house, the down payment is your contribution toward the purchase and represents your initial ownership stake in the home. The lender provides the rest of the money to buy the property.

Closing Costs
Closing costs are fees and expenses you pay when you close on your house, beyond the down payment. These costs can run 3 to 5 percent of the loan amount and may include title insurance, attorney fees, appraisals, taxes and more.

MORTGAGE Breakdown







PRINCIPAL

The principal is the repayment of your loan amount. This is the portion of the payment that is used to reduce the balance you owe. It may be obvious, but the larger the balance, the higher the mortgage payment.

INTEREST

Lenders charge interest on a mortgage as a cost of lending you money. Your mortgage interest rate determines the amount of interest you pay, along with the principal, or loan balance, for the term of your mortgage. Mortgage interest rates determine your monthly payments over the life of the loan.

TAXES

Whenever you obtain a mortgage, state and local governments enforce a mortgage recording tax to document the loan transaction. This fee is separate from mortgage interest and other annual property taxes. Since it is state-imposed, the mortgage recording tax must be paid to the government when you register a mortgage.

INSURANCE

Mortgage insurance lowers the risk to the lender of making a loan to you, so you can qualify for a loan that you might not otherwise be able to get. Typically, borrowers making a down payment of less than 20 percent of the purchase price of the home will need to pay for mortgage insurance.

MORTGAGE Refinancing

What is mortgage refinancing?
Refinancing works by giving a homeowner access to a new mortgage loan which replaces the existing one. The details of the new mortgage loan can be customized by the homeowner, include the new loan's mortgage rate, loan length in years, and amount borrowed. Refinances can reduce a homeowner's monthly mortgage payment, access cash for home improvements, and cancel mortgage insurance premiums, among other uses.

Why should you consider mortgage refinancing?
Refinancing is done to allow a borrower to obtain a better interest term and rate. For borrowers with a perfect credit history, refinancing can be a good way to convert a variable loan rate to a fixed, and obtain a lower interest rate. Borrowers with less than perfect, or even bad credit, or too much debt, refinancing can be risky.

When should you refinance your mortgage?
One of the best reasons to refinance is to lower the interest rate on your existing loan. Historically, the rule of thumb is that refinancing is a good idea if you can reduce your interest rate by at least 2%. However, many lenders say 1% savings is enough of an incentive to refinance.

MORTGAGE terminology

APPRAISAL

An appraisal is a rough estimate of how much your home is worth. Mortgage lenders require that you get an appraisal before you sign on a home loan.

APR

Annual percentage rate (APR) is the interest rate you'll pay for your loan on an annual basis plus any additional lender fees. You'll usually see APR expressed as a percentage.

PRINCIPAL

Your principal balance is the amount that you take out in a loan. For example, if you buy a home with a $150,000 loan from your lender, your principal balance is $150,000.

TERM

Your mortgage term is the number of years you'll pay on your loan before you fully own your home.

PREAPPROVAL

A preapproval is a document that tells you how much you can afford to take out in a home loan. Preapproval is the first step in getting a mortgage.

DOWN PAYMENT

Your down payment is the first payment you make on your mortgage loan. You'll usually see your down payment listed as a percentage of your loan value.

TITLE

A title is proof that you own a home. Your title includes a physical description of your property, the names of anyone who owns the property and any liens on the home.

HOME INSPECTION

An inspection tells you about specific problems in the home. An inspector will walk around the home you want to buy and test things like the heating and cooling system, light switches and appliances.

ESCROW

Most people who have a mortgage have an escrow account where their lender holds money for property taxes or homeowners insurance. This allows you to split taxes and insurance over 12 months instead of paying it all at once..

MONTHLY budget

Budgeting for your new home not only allows you to see what you can afford, but also helps you see unnecessary spending habits that you can eliminate. Fill in this sheet monthly to track your spending habits.

INCOME

	$
	$
	$
	$

Total Income	$
Total Expenses	$
Profitable Income	$

EXPENSES

	$
	$
	$
	$
	$
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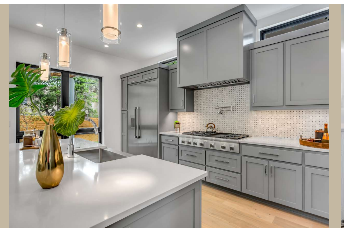
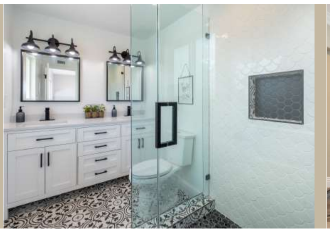
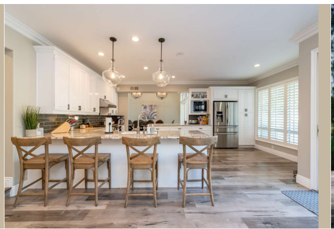


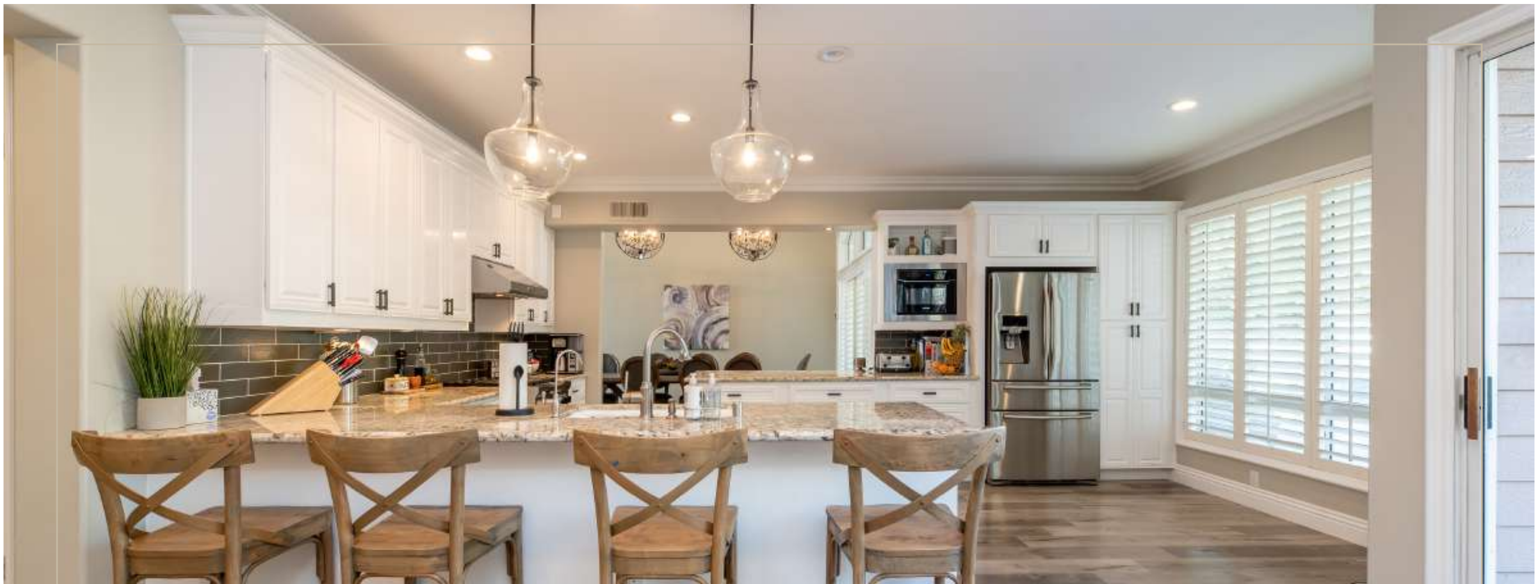

ACTIONABLE Steps

Applying for a mortgage is never simple, but it's even trickier when you don't know what to expect. If you're preparing to buy a house for the first time, you can make the process easier on yourself by learning as much as you can ahead of time, before you've found your dream house. Knowing what to expect allows you to plan ahead and improve your chances of getting a mortgage with favorable terms.

Know your Budget
If you want to qualify for a mortgage on your first try, it's important to know how big of a loan you can reasonably afford. Lenders figure this out by looking at your debt-to-income ratio (DTI): the percentage of your income that you're spending each month to pay your debts, among other things.

Improve Your Debt-to-Income Ratio
When applying for a pre-qualification, if you are told that you won't qualify for a big enough loan to afford a house in your area, you can take steps to improve your DTI before you start house shopping. There are two ways to do this:Increase Your Income. You'll qualify for a bigger home loan if you make more money. Start thinking about how you can get a promotion, move to a higher-paying job, work more hours at your current job, or start an income-generating side business.Reduce Your Debt. Making more money isn't always an option. For most people, it's easier to improve their DTI by paying down other debts, such as credit cards, student loans, or auto loans.

Save Up for a Down Payment
If you have no other debts to pay off and you can't increase your income, your best option is to shrink the size of the home loan you need. The easiest way to do this is to save up a bigger down payment. As a bonus, if you can manage a down payment of at least 20 percent, you won't need private mortgage insurance, which will lower your monthly payment.

Boost Your Credit Score
When you apply for a mortgage, having a good credit score is a huge advantage. It will allow you to qualify for a better interest rate, saving you thousands of dollars over the life of your loan.

Know Your Loan Options
Before you start shopping for a mortgage, learn about the different loan options available to you and what they have to offer. Here are a few things to look into:
- The difference between fixed-rate and adjustable-rate
- FHA and VA home loans
- Special programs for first-time homebuyers in your state
- Factors that affect your interest rate, like loan term and points
- Types of fees you may need to pay on a home loan

Find the Right Lender
Once you know what you want in a home loan, it's time to start looking for a lender. There are three important things to look for in a mortgage lender:A good understanding of the mortgage business. The lender should know all about the different loan options you researched above, as well as any special rules that apply in your local area.A good overall reputation.A good deal. This means more than just the interest rate – look at the combination of interest rate, points, and other fees to see which lender can give you the most bang for your buck.

Get Your Paperwork in Order
Once you've found the right loan and the right lender, the last thing to do is gather together the documents you'll need to apply for a mortgage. For starters, most lenders will expect to see your pay stubs from the past month, your tax returns from the past year, and a few months' worth of bank statements. Other important documents include credit card and loan statements and proof of your assets, such as retirement funds and other investments.