The DO's and DON'Ts After You Submit Your Application

Don't get caught in a "last-minute" mortgage closing dilemma! Failure to adhere to these few simple rules can cause unnecessary closing delays or jeopardize your approval. **IF THERE'S A "DON'T", "DO" CALL US FIRST.** Together, we can work it out!

DO

- ✓ Stay current on all payments on existing accounts.
- ✓ Notify your lender of any changes to your contract or loan amount.
- ✓ Research and obtain a company for homeowner's insurance as soon as possible to avoid last minute delays.
- ✓ Contact your lender if you receive anything in the mail from a creditor or collection agency that you think might affect your score.

DON'T

- ✘ Apply for new credit of any kind!
- ✘ Change employment or your residence prior to closing!
- ✘ Pay off collections or close credit card accounts.
- ✘ Co-sign for anyone else's loan!
- ✘ Switch banks or move money around.
- ✘ Continue to shop with other lenders after you apply. The new inquiries may decrease your credit score.
- ✘ Pack away important financial documentation your lender might request. Keep it handy, just in case!
- ✘ DO NOT MAKE CASH DEPOSITS

VERY IMPORTANT

Industry standards for all mortgage loans have changed—again! Lenders may pull a refreshed credit report before closing. Not adhering to these "do's and don'ts" could negatively impact your loan approval!

Thrive MORTGAGE

PATTY NEWBY
Loan Officer
RMLO NMLS# 194741
Cell: 214.532.8479
Patty@TheLoanDesigner.com
5601 Granite Parkway #550
Plano, TX 75024
Branch NMLS# 286020

FREQUENTLY ASKED QUESTIONS

Q. WHAT IS ANNUAL PERCENTAGE RATE AND WHY DOES IT DIFFER FROM THE INTEREST RATE?

A. The Annual Percentage Rate (APR) is the cost of your credit expressed as an annual rate. The overall function of the APR is to measure the "true cost" of the loan. The APR is different from the interest rate of your mortgage and is usually higher than the note rate because it includes certain fees which are calculated into the actual rate. The fees typically include: points (origination and discount), underwriting and processing fees, commitment fees, title closing fees and prepaid interest.

Q. IS MY LOAN RATE LOCKED AT APPLICATION?

A. No, not unless you specifically request this from your Loan Originator. Rates are generally locked approximately 30 days prior to closing and it is the borrower's responsibility to keep in contact with their Loan Originator regarding current market rates and when to lock. Loans are not locked unless requested by the customer.

Q. THERE ARE ERRORS ON MY 1003, SHOULD I SIGN IT?

A. Yes! Not returning application documentation in a timely manner is one of the main causes of delay in closings. If you see an error on your 1003 application (such as misspelled names, incorrect social security numbers, inaccurate bank account information), please mark out the information and write in the corrections, initial it and return the document. We will promptly correct information in our system and you will sign a final 1003 at closing.

Q. WHAT CAN CAUSE DELAYS IN KEEPING MY SCHEDULED CLOSING DATE?

A. The biggest delay in a customer's closing is failure to send documentation back to your Loan Originator as requested. We will ask for initial documentation (W2s, pay stubs, bank statements, etc), but the underwriter may request additional documentation in order to issue an approval. These conditions must be promptly sent to your Loan Originator to keep the loan process flowing. Not obtaining proof of homeowner's insurance can also cause a delay as we move the file to the closing department. Doing research up front and choosing an insurance agent early can help avoid unnecessary delays. Finally, borrower's lack of documentation regarding source of funds to close can cause a delay in moving your file to the closing department. Loan Originators will ask for a paper trail of money needed for down payment and closing costs. Please have access to statements of all funds listed on your loan application. Borrower must sign the Closing Disclosure required by regulators, 3 days prior to closing.

Q. WHAT IS THE 4506T AND WHY DO I HAVE TO SIGN IT?

A. A 4506T is an Internal Revenue Service (IRS) form that Loan Originators use to pull a copy or transcript of your most recent tax return. The form is used for auditing purposes to verify the income used to qualify the loan. Given the recent changes in the mortgage market, this form is required for all loans.

Q. WHAT DO I NEED TO BRING TO CLOSING?

A. The closing will take place at the title company. Each borrower will need to bring a valid driver's license on the day of closing. The funds due at closing must be in the form of either a cashier's check made out to the title company or a wire transfer.You may be able to write a personal check for up to $500. Check with your title company for specific details.

Q. HOW MUCH DO I NEED TO INSURE MY HOME FOR?

A. It is your responsibility to secure homeowner's insurance on the home you are purchasing prior to closing. The minimum dwelling coverage required is the lesser of either:

a) The total combined loan amount
b) The replacement cost on the appraisal

Because you may begin shopping for homeowner's insurance before the appraisal is in, it may be necessary to gather quotes with a minimum dwelling coverage of the combined loan amount. You will be notified of the replacement cost once your appraisal is in.

Q. WHAT FACTORS AFFECT MY CREDIT SCORE?

A. Major purchases that require financing, like a home are dependent on your having good credit. Your credit score is based on:

a) Your payment history — 35 percent Late payments affect your score negatively. Be sure to pay all of your credit accounts on time.

b) How much you owe — 30 percent Your FICO score is influenced by how much you owe on all of your accounts, the number of accounts with balances and how much of your available credit you are currently using. The more you owe in comparison to your credit limit, the lower your score will be.

c) Length of credit history —15 percent While a short credit history may not necessarily negatively impact your score if the rest of your credit report shows responsible credit management, a longer history will increase your score.

d) New credit — 10 percent Be cautious of credit inquiries. Any time there is an inquiry into your credit, it may affect your score negatively. Mortgage inquiries are the only exception; while shopping for a mortgage loan, you may have as many inquiries as you like within 30 days, and it will count as one.

e) Other factors — 10 percent A number of other smaller factors can influence your score. For example, having a variety of credit types on your report, such as credit cards, mortgage loans, auto loans or personal lines of credit, can be indicative of a long credit history and lead to a slightly higher score.

VERY IMPORTANT INFORMATION REGARDING REQUESTED FINANCIAL DOCUMENTS

The main reason for delays in obtaining loan approval and closings is incomplete or insufficient financial documentation remitted by applicants.

PAY STUBS should reflect 30 days of year-to-date earnings. If more than one pay stub is requested, please provide consecutive stubs. The stubs must reflect earnings within 30 days of your application date. If your home is yet to be constructed, we will need a new pay stub just prior to closing that reflects your earnings within 30 days of your closing date.

STATEMENTS (BANK, INVESTMENT, 401K, IRA, STOCK OPTIONS, ETC.) ALL PAGES of statements are required even if the first page is an advertisement and the last page is blank. Statements usually indicate either the total number of pages (i.e. 1 of 5) or those additional pages are to follow (i.e. continued on next page). If 4 of 5 pages are submitted, the statement is considered incomplete and an underwriter will suspend or condition the loan. The most common cause for incomplete statements is failing to copy the front and back of two-sided statements.

FUNDS TO CLOSE Where are the funds you need to bring to closing? If the money is not currently in your primary checking/savings account, we will need the most recent statement from the account where the money is currently being held. If you are receiving your closing funds in the form of a gift, there is additional documentation required which includes, but may not be limited to: a statement from the gift donor showing they had sufficient funds, proof of deposit of gift funds into your account and gift paperwork completed and signed by both the donor and the borrower.

LARGE DEPOSITS reflected on asset statements require an explanation and source of funds documentation, which is another way of saying, "We need to see documentation that supports the explanation for the size of the deposit." This can seem like an excessive request, but can be explained: During the late 1980's and early 1990's lenders discovered that personal loans, credit card advances and undocumented gifts were frequently obtained just before closing. Since these debts were too new to be reflected on the borrower's credit report, they were not included in debt ratios used to qualify the borrower for the mortgage loan. The Agencies that set underwriting guides such as Fannie Mae (FNMA) and Freddie Mac (FHLMC) established a rule at that time that all large deposits reflected on asset statements used to qualify must be explained and documented. Fair Lending requires that rule to be applied equally to all borrowers.

INTERNET BANK STATEMENTS The Agencies are not yet recognizing Internet asset statements as an unalterable source of financial documentation unless they include your name and your account number. Hard copy bank statements are always preferred, but if you do need to submit Internet bank statements, please make sure they display your full name, account number, and the URL information from the website on each page.

MOVING FUNDS OR OPENING NEW ACCOUNTS AFTER APPLICATION can cause additional documentation to be required if it is done after application and prior to closing. If actual balances vary too much from the amounts stated on the application, this can cause a red flag for underwriters who might require an explanation and documentation to verify the disparity. We realize that moving money around is sometimes necessary, but please contact us first so we can help you avoid unnecessary inconvenience.

2-YEAR RESIDENCE HISTORY Lenders are required to verify residence history for each borrower on the application for the past 24 months. Information required includes property addresses and landlord's name and phone number for each residence during the last two years. For corporate housing, please list the property address and indicate employer as landlord.

TAX RETURNS Please include all pages, schedules and addenda with federal tax returns when requested. Be sure to include all corresponding W2's, 1099's and K-1's as they are not always attached to the tax return.

ATTENTION!

SPECIAL NOTE TO NEW CONSTRUCTION CUSTOMERS:

Updated Pay Stubs and Bank/Asset statements will be requested within 30 days of your closing date.

LEARN THE LINGO

Understanding these popular mortgage acronyms is a proactive way to stay informed throughout your home-financing process and beyond.

ARM — ADJUSTABLE-RATE MORTGAGE
ARMs tend to originate at a lower interest rate than a fixed-rate home loan. However, this rate will fluctuate based on a set index.

DTI — DEBT-TO-INCOME RATIO
Borrower's monthly liabilities divided by borrower's monthly income (pretax) equals the estimate amount of an affordable monthly mortgage payment.

LE — LOAN ESTIMATE
A detailed estimate of the total loan costs, given to the borrower after their application is received by the lender. The lender's origination fee, points, escrow, title insurance, appraisal fee, taxes and other expenses should be included.

HELOC — HOME EQUITY LINE OF CREDIT
Homeowners may be eligible to borrow cash against their home equity (based on DTI), if necessary.

CD — CLOSING DISCLOSURE
Similar to the LE, the CD shows the actual costs of the loan (an itemized receipt), including the lender's commission and other incidental fees. Borrower must sign the CD 3 days prior to closing.

LTV — LOAN-TO-VALUE RATIO
The mortgage divided by the purchase price or appraised value of the home. LTV helps assess the risk of the loan.

MIP — MORTGAGE INSURANCE PREMIUM
To protect the lender from potential loan default, the borrower pays a premium on Federal Housing Administration (FHA) loans.

PITI — PRINCIPAL, INTEREST, TAX AND INSURANCE
The monthly mortgage payment expected from the borrower.

PMI — PRIVATE MORTGAGE INSURANCE
The borrower is required to pay for PMI when their down payment is less than 20 percent.

RESPA — THE REAL ESTATE SETTLEMENT PROCEDURES ACT
Legislation that governs the mortgage industry by requiring lenders to provide borrowers with a LE within three days of applying for the home loan, and a HUD-1 before the loan closes.

TILA — TRUTH IN LENDING ACT
Legislation that governs the mortgage industry by requiring lenders to provide clear and accurate costs and loan terms to the borrower.

As your Loan officer, we strive to provide unbeatable customer service. We look forward to working together!