

The Mortgage Process

And how it will effect your home loan

Whether you are a first time homebuyer, or you have purchased many homes before, the process of getting approved for a mortgage loan has changed considerably over the last few years. The outline below is intended to help walk you through the process and prepare you for, the sometime arduous process, of getting a new mortgage loan.

The Process:

1. **DETAILS, DETAILS, DETAILS:** It is very important to pay attention to details and what is being asked of you. Not following instructions will only delay the process and cause you to be asked for more paper work.
2. You will start by providing some basic information to your loan originator. i.e. name, ss#, address, income, etc.
3. The loan originator will then email you several federal disclosures, that need to be signed, along with a list of preliminary documents that are needed. **THIS IS ONLY THE FIRST SET OF DOCUMENTS THAT WILL BE ASKED FOR.**
4. Once you return those documents they will go to a processor/pre-underwriter to be reviewed. **THEN ADDITIONAL DOCUMENTS WILL BE REQUESTED FROM YOU.**
5. Once any additional documents have been returned, and once we get your appraisal back from the appraiser, your loan will be submitted to an underwriter. Once the underwriter has reviewed the file **THEN ADDITIONAL DOCUMENTS WILL BE REQUESTED FROM YOU.**
6. Once you have returned all requested items they will be sent to the underwriter for a final approval, at which time we will re-verify your credit, employment, income and assets.
7. Once a final approval is issued, your lender will send your closing documents to the attorney.
8. Your final numbers for closing are prepared by the closing attorney. Once the loan officer has those numbers from the attorney they will follow up with you regarding them.
9. Once you are given your final figure for closing you need to get a CASHIERS CHECK from your bank made out to the ATTORNEY.

VERY Important Things To Remember:

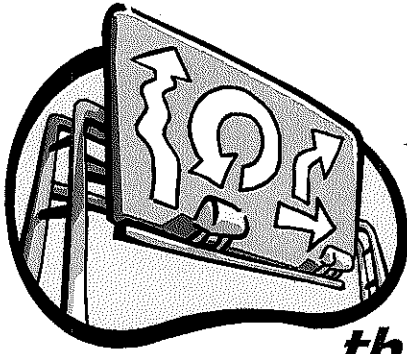
- You will be asked for documents many times throughout the process, even the week of or day before closing.
- Each set of paper work will open up new questions that the underwriter will ask to be addressed.
- Depending on your closing date, it is possible for things to come down to the wire and feel like they are happening at the last minute.
- **DO NOT DO ANYTHING, AT ALL, THROUGHOUT THE PROCESS THAT WILL CHANGE YOUR CREDIT.** Do not apply for or accept any new credit offers. **THIS CAN AND WILL EFFECT YOUR APPROVAL.**
- Time is always of the essence. It takes several days to move paper work through the trail of people required to review it for loan approval. Please always try your best to return any requested documents within 24 hours.
- Assets are the hardest thing to verify. **YOU WILL HAVE TO PROVIDE PAPER WORK, TO SOURCE, ANY DEPOSIT(S) INTO YOUR ACCOUNT(S) THAT ARE NOT FROM A PAYROLL DIRECT DEPOSIT.**
- **THE MORTGAGE PROCESS AND THE DOCUMENTS REQUESTED ARE NOT NEGOTIABLE. THERE IS A REASON FOR EVERYTHING THAT IS REQUESTED AND YOU MUST PROVIDE EVERYTHING ASKED FOR OR A LOAN WILL NOT BE ISSUED.**

I am here to answer any questions, at all, and help you along the way throughout the process. My goal is to take as much of the emotions out of the process as possible and make your experience as smooth as I can so please don't hesitate to contact me and let me know how I can serve you.



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FICO SCORES

Understanding the crossroads that lead to explaining the score.

What makes up the score?

- 35% = based on payment history (i.e. on-time pays or delinquencies)
 - More weight on current pay history (reference right side of sheet)
- 30% = capacity (capacity is King)
- 15% = length of credit
- 10% = accumulation of debt in the last 12-18 months
 - # of inquiries
 - opening dates
- 10% = mix of credit
 - installment (raises) vs. revolving (lowers)
 - # of finance company loans the more, the lower the score

What actions will hurt the score?

- Missing payments (irregardless of \$ amounts...It will take 24mo to restore credit with one late pay)
- Credit cards at capacity (i.e. maxing out credit cards)
- Closing credit cards out (this lowers available capacity)
- Shopping for credit excessively
- Opening up numerous trades in a short time period
- Having more revolving loans in relation to installment loans
- Borrowing from finance companies

What doesn't affect the score?

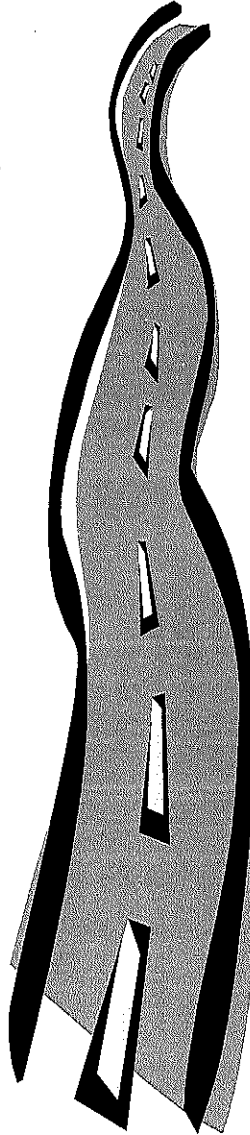
- Debt ratio
- Income
- Length of residence
- Length of employment

Approximate Credit Weight for each year

- 40% = current to 12 months
- 30% = 13-24 months
- 20% = 25-36 months
- 10% = 37+ months

How to improve the score?

- Pay down on credit cards
- Do not close credit cards because capacity will decrease
- Continue to make payments on time (older late pays will become less significant with time)
- Slow down on opening new accounts
- Acquire a solid credit history with years of experience
- Moving revolving debt to installment debt.



DOCUMENT CHECKLIST:

As I am sure you have heard in the news, there have been many new regulations put in place governing the mortgage process. **Obtaining a mortgage loan has become a frustrating and arduous process.** This document is meant to help prepare you for what is ahead and hopefully alleviate some of the frustration.

~YOU WILL BE ASKED FOR PAPER WORK SEVERAL TIMES DURING THE LOAN PROCESS!!! Mortgage lenders and underwriters are now required to make sure that all information in the file conforms with the new regulations, and each set of paper work will open up new questions that the underwriter will ask to be addressed.

The **FIRST** set of documents that we need to collect are:

- Copy of your driver's license.
- Name and phone number of homeowner's insurance agent of your choice-ask me for recommendations if you need them.
- Copy of **all** of your W2's from 2013, 2014 (your tax returns are a separate item: this is the form that your employer sends to you at the end of every year, showing how much money you made)
- Copy of 2014 and 2015 Tax Return with 2nd page signed.
 - (All pages, schedules and K-1's: if you have ownership in any Partnerships or S-Corps you WILL HAVE K-1's, and we will need a copy. *****If ownership is 25% or more we will need a full partnership return). Page 2 of the return must be signed, on the signature line.**
- Copy of your 2 most recent paystubs (or enough paystubs to cover 1 full months worth of pay). Paystubs must include Year To Date (YTD) pay, as well as a breakdown of all withholdings.
- Copy of 2 most recent bank statements on all checking/savings accounts. Please make sure to include all pages of each statement(s), even if they are blank or seemingly unimportant. Compliance requires **all pages** (even if the missing pages do not contain any relevant information) they will still be required to approve the loan. Statements must **show your name, full account number as well as all transactions for the month**. Also, please make a list of all deposits into your account that are not payroll related. The underwriter will require you to **document where the funds came from on all non payroll related deposits, this includes any transfer(s) made from one account to another**. We will need statements for all accounts that monies are being transferred back and forth from. You must show where funds for closing are coming from.
- If you are using funds from a mutual fund, stock or retirement account to purchase a new home you will need to show proof of liquidation, which includes:
 - A statement on the investment account, that covers a 60 day period prior to liquidation, with all pages
 - A copy of the sale confirmation, check or wire transfer of funds once liquidated
 - An updated statement on the investment account reflecting all activity and balance after the liquidation, all pages of statement will be required

- An updated statement on the checking account that the liquidated funds are deposited into.
- Copy of the cancelled earnest money check, along with an updated statement or online print out from the checking account the check was drawn on, that shows the check clearing the account. AGAIN, please remember that any non-payroll deposits will need to be documented and explained.
- If you are receiving a gift for funds being used in the transaction, I will need to send you a gift letter. We will also have to paper trail the transfer of funds from the donor's account to yours. (Any deposits made into your account that are linked to a family member will be considered a gift)
- Copy of fully executed sales contract on the new home you are purchasing
- If you are selling a current home and using the monies for the new loan, we will need a copy of the sales contract on your current home and a copy of the Settlement Statement, once you have closed, showing how much money you made on the sale.
- Contact information for current landlord, if applicable, or copy of current mortgage bill, if applicable.
- All credit inquiries that are reflected on your credit report will require a signed letter of explanation. We will provide you with a list of inquiries and a preliminary letter format.
- All address discrepancies that are reflected on your credit report will require a signed letter of explanation. We will provide you with a list of address discrepancies and a preliminary letter format.
- A signed loan application and disclosures that are attached to this email.

Additional items that may be needed based on your specific situation:

- Copy of current lease(s) on any rental property
- Property tax, homeowner's insurance and association dues information on any other property that you own
- Retirement income documents- Social Security award letter(s), Pension award letter(s)
- Divorce decree, separation agreement and/or parenting plan
- A copy of your college diploma if you have graduated in the last 2 years

ALL DOCUMENTS THAT ARE REQUESTED BY THE MORTGAGE LENDER ARE NOT NEGOTIABLE. AS MENTIONED PREVIOUSLY, WE WILL NEED FOLLOW UP DOCUMENTATION ONCE WE RECEIVE YOUR INITIAL PAPER WORK, SO IT IS IMPARATIVE THAT YOU GET US EVERYTHING IN A TIMELY FASHION.

EMAIL ALL OF THE ABOVE DOCUMENTS TO: KentM@Farmingtonfg.com

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