Get Mortgage Ready

Thank you for downloading our free kit. Here's a preview of what you will find:

- [?] A complete breakdown of the mortgage process
- [?] How to understand & improve your credit report
- [?] How to get pre-qualified
- [?] How interest rates are determined
- [?] Understand industry-speak terms
- Questions? …….. Contact Sheri Sperry

Feel free to print an individual page for reference (like the moving checklist)
Feel free to share this publication FOR FREE

This information is provided as a resource for your information. Please allow Sheri Sperry to refer you to a mortgage professional who will guide you through the entire process. Sheri Sperry is not a mortgage professional. Information may change and SellSedona.com, Sheri Sperry and Coldwell Banker Residential Brokerage cannot be held responsible for errors or ommissions.

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No More Renting - Why Pay Someone Else’s Mortgage?

Moving into your first apartment is a rite of passage. As a stopover, it’s fine. But the bottom line is that when you’re renting, you’re paying someone else’s mortgage. If you’re paying $750 a month in rent – a reasonable amount – you’re spending $9,000 a year on rent. In just 2 years, that’s $18,000 in someone else’s pocket, with nothing to show for it on your end. All that money paid out, and no equity built up for you. As a first time homebuyer, you may have a few questions and concerns before you decide to make the jump from renting into ownership.

Are my payments tax deductible?

How much of a break you get on your taxes will vary depending on certain factors. However the IRS has laid out solid rules. The agency also offers tax publications full of helpful information. Publication 530 “*Tax Information for First Time Homeowners”* is thorough. Also consider Publication 936, “*Home Mortgage Interest Deduction.”* For quick reference, you can refer to Tax Topics 505 “*Interest Expense”* and 504 “*Home Mortgage Points*.” These publications often refer to local and state guidelines, so you should talk to a CPA to answer all the questions that arise from reading these materials. Here are some basics:

? **Property taxes on a primary residence are deductible.** You can pay Real Estate taxes at settlement or closing, or through an escrow account.

? **Prepaid interest is deductible for the year you pay it**. At the close of a real estate transaction, borrowers usually pay for the interest on their loan that falls between the closing period and the first of the next month. Mortgage payments are made "in arrears" so when a loan is closed mid-month, there is interest due to the new lender, which must be paid in advance.

? **If you use the loan to buy, build or improve a home the interest is deductible.** Your lender will provide you with a Mortgage Interest Statement (Form 1098) to list the total interest paid during the year. This should include any deductible points paid for that year.

? **Interest on a construction loan is deductible if you’re building your home.** The construction period cannot exceed 24 months prior to the date that you move in if you claim this as your primary residence.

I don’t think I can afford to buy a house right now.

Many loan programs out there offer options to lower your payments. For example, sometimes a seller is willing to make a contribution to your purchase if they want to sell quickly. There are many benefits to owning a home. Talk to a mortgage professional about the benefits, and how to help you go from paying a landlord’s mortgage, to paying your own.

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A First Time Home Buyers Guide to the Mortgage Process

The First Step – Connect with an experienced mortgage professional. Having a lender on your side will help determine the best financing options for you. When you get pre-approved for a home mortgage loan you get 2 benefits. First, you'll know how much house you can afford. Second, you increase your negotiating power as you're seen as a *cash buyer*.

House Hunting – This is where you begin to shop around for a home. When you find the house you want, you'll negotiate the sale. This includes how much you pay for the house, and possibly the terms of the home mortgage loan.

Applying for a Loan – It's essential to give your lender all of the required information. Try to be as accurate as you can, including disclosing all outstanding debt, income and any assets you have in your financial portfolio. Prepare and provide all the proper paperwork. This includes things like pay stubs, tax returns (2 years' worth) and account statements. The information will show where you're getting your down payment, closing costs and any reserve funds you may have.

Home Appraisal & Inspections – An appraisal protects you and the lender. It's required, but it also helps to keep you from paying too much for the home. We encourage inspections for things like termites and water damage. The seller may need to figure out how to make some repairs before you can complete the sale.

Title History Search – A title search shows any liens against the property. Liens get placed on properties to make sure the owner pays off outstanding debt. Any and all liens must be settled before the deal is done and the home is sold.

Loan Application Reviews – First there's the *Processor's Review*. A processor will package all of the important information from your loan, and make sure it's correct. He or she will include any needed explanations on items like derogatory debt. This person sends the loan package to a lending underwriter. Then comes the *Underwriter's Review*. Based on the information from your mortgage professional, the underwriter makes the final decision whether your loan gets approval.

Adjustment Approval, Denial, Counter Offer – Here is where financial adjustments may be made. The lender may ask you to put more money down to improve your debt-to-income ratio. You may also need a bigger down payment if the property is worth less than what the seller is asking.

Homeowner's Insurance – You will need fire and hazard insurance on the replacement value of the structure. Flood insurance is required if the property is in a local flood zone.

The End is Near – Now it's time to wrap things up. *Signing* is where the final loan papers get signed. *Funding* is when the lender sends a wire or check for the amount of the loan to the title company. *Closing* comes when the County Recorder officially records all documents transferring the title.

Time to Celebrate – Break out the bubbly, you're a homeowner now!

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How Does a First Time Home Buyer Plan a Mortgage?

Making the switch from renter to owner can be daunting. So where do you start? Let's begin with finding a trustworthy adviser.

Why A Professional Mortgage Consultant is Beneficial

Managing your mortgage begins in earnest with choosing the right lender. A mortgage expert should have one goal in mind: to find the right loan for you. Choose a mortgage consultant who will find the home mortgage loan that aligns best with you and your long-term goals. The team should monitor rates on your behalf, and stay in touch with you

Buying Power

Let's look at the difference between pre-qualification and pre-approval.

- ? ***Pre-qualification*** begins your mortgage loan search. We take a snapshot of your financials including income, existing debt, savings, and length of employment. We look at this information and decide your loan eligibility.
- ? ***Pre-approval*** goes a step further. It means an underwriter has reviewed your loan application, and gives you an amount you're eligible for based on income, debt ratio and savings. It basically proves, with written documentation, that you have the support of a lender who will back you.

The great thing about pre-approval is that you will have **leverage to shop as a cash buyer.** You have the power to negotiate. Sellers will take your offer more seriously knowing a lender has approved you. Full credit approval can save you more than 10% on a sale price.

What about monthly payments?

How much you will pay per month will depend on which loan program you choose. A mortgage expert should compare different loan programs to see which one meets your goals now, and in the future. Then you get to pick the one you feel comfortable with before you make that offer. It's this face time that helps set you up to succeed in becoming a homeowner.

How much will pre-approval cost?

Costs depend upon the mortgage company you choose. Look for companies that provide a free pre-approval service.

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It’s Time to Find the Right Mortgage for You

Landing **your mortgage loan**, the one that fits you and your plans, should be easy, borrow money, buy a house. However, all of the options can make it a murky search. You have hundreds of options at your disposal. Here are a few examples:

- [?] Fixed Rate Mortgage
- [?] Adjustable Rate Mortgage
- [?] Hybrid Loans
- [?] Interest Only Mortgage
- [?] FHA, VA or RD (Rural Development) loans
- [?] 203k Rehabilitation and Renovation Loans
- [?] Reverse Mortgage Loans – usually requires a certain percentage of established equity

Mortgage loans interest rates may vary greatly. With so many choices, it’s important to find an experienced mortgage professional who takes your best interests to heart. This person will act as a trusted adviser to sift through all of the options to find **your mortgage loan.** One of the first and most important steps you can take is to ask yourself a few important questions. The questions will also help point you in the right direction of the mortgage professional who’s right for you. He or she should ask you the same questions before trying to put any mortgage in place.

- [?] How long do you plan to stay in this house?
- [?] Do you plan on any changes in the next few years like expanding your family or sending kids to college?
- [?] What about your income: can you foresee changes from promotions, relocations, retirement or inheritance?
- [?] Would you rather reserve your assets by raising the loan amount to reduce your cash to close?
- [?] What’s more important to you – a low interest rate or the monthly payment?

These questions are important because different loan programs benefit people differently, depending on their stages of life. When all is said and done, figure out how long the loan will be around and how much it will cost you during that time. This plan covers the big picture and gives you an idea on meeting your financial goals. Plus it allows for any tweaks over time to help meet those goals.

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I Want to Apply for a Loan. What Do Lenders Want to Know?

First time homebuyers ask great questions when it comes to getting a home mortgage loan. For example,"what does the lender want to know about me?" Bottom line, the lender wants to know whether you can pay back the loan you want. You can prove this through your financial history. The big picture will include job stability, credit history and savings habits. The same holds true for any co-borrowers you may have.

Some clients have to re-apply.

When the underwriting process brings up questions and concerns, the underwriter may say no the first time through. The underwriter may require you to make some changes before approving you for the mortgage loan.

How you can help streamline the process.

Getting pre-approval *before* you look for your new home tells you just how much buying power you have. Pre-approval begins with a close look at your financial situation. Before getting a home mortgage loan, it's helpful to have a consistent record of timely bill paying. Make sure your credit cards are getting paid, and your other bills are current. Then we'll look at your debt-to-income ratio. DTI takes into account how much money you make, and how much debt you have. Once we know that, we work to find out your comfort level when it comes to a monthly payment. This payment includes the principal, interest, taxes and insurance. So it's important to have this information, not just the purchase price of the home.

We also help plan any closing costs that may come with the loan. Even with 100% financing, you may need to have cash in hand for closing costs.

Life events like recent job changes.

Consistency is one of the most important things to a lender. A stable work history shows that you're not a risky borrower. However, lenders take into account that "life happens." Things like college graduation or a military discharge will mean a lack of work history, and that's workable. Also, seasonal workers and the self-employed have options available. And contract and freelance workers will need to show around 2 years of consistent income documented by tax returns.

Many options are available.

From conventional loans to FHA to Rural Development and 203k loans, you have a lot of options to finance your home. Having a mortgage professional in your corner will open your eyes to a wide variety of choices. Let us help you find the right home mortgage loan for you, and turn you into a first time homebuyer.

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4 Keys to Keep in Mind While Securing Your Home Mortgage Loan

Maintaining a stable and consistent financial profile during any loan process shows a lender you're a good candidate. Lenders want to see these qualities in you while you're working on a home mortgage loan. So once your loan package is on its way to that lender, you'll want to keep some things in mind until after you're approved. These 3 things will help keep you in the running for the best interest rate.

- ? **Avoid major purchases.** Major purchases with significant price tags will tip the scales against you. Getting that new house may inspire you to look for new appliances. Wait on that shopping trip. Don't celebrate with new jewelry or a vacation either. We'll take a look at a concrete example. Buying or leasing a car can dramatically impact your debt-to-income ratio. You can lose around $30,000 in mortgage buying power simply by having a $350 car payment. So even if you feel like there's room in your budget, hold off until after you're approved.

- ? **Have proof of your down payment source.** Lenders love paper trails. You'll likely have to show proof of your liquid assets. The lender may ask for checking and savings account statements, a hard copy of your investments, and any other liquid assets. You may also have to show canceled checks or deposit records to meet certain conditions. Avoid moving money between accounts and make sure you can easily document your paper trail.

- ? **Changing jobs.** Changing to increase income is a good thing. However, a work history with gaps and erratic movement sends up a red flag for lenders. A 2-year track record with consistent overtime and bonuses is definitely favorable. Keep in mind, when you change jobs you may not know whether the next employer will pay overtime. Some don't pay overtime, or may work it out differently than your current job. Another scenario is starting your own company. Becoming a start up may have to wait until after your loan is approved.

- ? **Keep paying your bills.** Continue to pay your bills on time. A dip in your credit score could drive your interest up.

Working through the loan process can be a daunting task. This is another good reason to get a mortgage professional to consult with you.

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Does My Credit Score Affect My Mortgage Interest Rate?

Your credit score will determine the interest rates you end up with when buying a home. In general, a higher score means you're a lower risk. Lower risk means you're more likely to pay off your debt. In the same vein, *lower scores* lead to *higher interest rates*. Do you fall into this category? Don't worry just yet. You have some options and actions you can take to adjust your credit score.

Closing old, unused accounts

- ⍰ Do not close old accounts you don't use anymore. Part of your score is based on credit *history*. So even if you don't use those old cards, they still show your history of credit and payments. Instead of closing the cards down, you can use them to shift debt and keep it even across accounts. Try to keep balances as close to zero as you can. A good number to keep in mind for debt is 30% of the limit. One way you can maintain that percentage is ask the credit card company to increase your limit. This will reduce the debt ratio right away. Be careful though. Don't spend on your new limit. That would put you in the same boat as before.

- ⍰ Married couples with separate credit card accounts can transfer debt from one card to another to clear up issues with the spouse in question. The person with clean credit can take the "sole borrower" title on the loan, while keeping the home in both names.

Errors on your credit report

- ⍰ If you have something on your credit report less than two years old, send in your payment if you can and mark the back of the check with this notation: "this check is evidence that the transaction is complete and this charge will be deleted from my credit report." If necessary, this canceled check can work as proof that the item should be removed from your credit report if it interferes with the closing of the loan.

- ⍰ If you see something on your credit report that you know you paid off, ask the credit bureau to remove it. The bureau has an obligation to take of it within 30 days.

Past due balances and charges

- ⍰ Paying off old past-due balances is generally a good idea, but there's a nuance to this. Look at the dates on these items. Anything more than two years old has little effect, if any, on your credit score. As odd as it sounds, paying off delinquent items that old can actually bring your score down.

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How to Understand Your Credit Report

A credit bureau does not track all aspects of your personal life. A credit bureau does not evaluate credit applications. Credit bureaus are simply organizations that collect and transmit four principal types of information.

What a Credit Report Covers

Identification and Employment Date: Your name, birth date, address, Social Security number, employer and spouse's name are routinely noted. The bureau also may provide other information, such as your employment history, home ownership, income and previous address, if a creditor requests it.

Payment History: Your account record with different creditors is listed, showing how much credit has been extended and how you have repaid it. Related events, such as referral of an overdue account to a collection agency, may be noted as well.

Inquiries: Credit bureaus are required to maintain a record of all creditors who have requested your credit history within the past six months. They normally include such creditor inquiries in your credit file for at least this long.

Public Record Information: Events that are a matter of public record and are related to your credit worthiness, such as bankruptcies, foreclosures, or tax liens, may also appear in your report.

What a Credit Report Looks Like:
To help you understand your own credit report, a full page of a sample composite credit report is included. It is the basic format used by credit bureau members of Associated Credit Bureaus, Inc., a national trade association of credit bureaus and collection services. Other credit bureaus use somewhat different formats, but provide the same basic information.

When you examine this sample credit report, you will find that most of the important information is self-explanatory. For example, the top half of the page is background information such as name, the date of the credit report, and the credit report number.

However, under the heading "Credit information about you," there are a few items that may be puzzling. For example, in the first column, the numbers 1, 2, 3 indicate who may use and who pays for the credit account. The "1" indicates an individual account-the person named on the file has sole use and responsibility for payment of the account. The "2" indicates a joint account-two people use the account and each is liable for payment. The "3" indicates a user account-one person is authorized to use the account, while the other person, who also may use it, is liable for payment.

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What a Credit Report Looks Like...(con't. from page 10)

In the second column, the sources/lenders and partial account numbers are listed, so that you and the credit bureau can identify the creditor. The third and fourth columns, respectively, indicates the dates the accounts were opened and the date of the last report to the credit bureau.

In the fifth column, the words "Installment," "Revolving," and "Open 30-days" refer to types of payment arrangements. In an actual report, the initials "I," "R" or "O" would be used.

- ? In an installment credit agreement, a consumer signs a contract to repay a fixed amount of credit in equal payments over a specified period of time. Automobiles, furniture, and major appliances are often purchased on an installment basis. Personal loans are usually repaid in installments as well.

- ? In a revolving credit agreement, a consumer has the option of paying in full each moth or of making a minimum payment based on the amount of the balance outstanding. Department stores, gas and oil companies, and banks typically issue credit cards based on a revolving credit plan.

- ? In an open 30-day agreement, a consumer promises to repay the full balance owed each month. Travel-and-entertainment charge cards and charge accounts with local businesses often require repayment on this basis.

The sixth and seventh columns, respectively, indicate your credit limit, high balance and most recent balance. The last column on the chart, "Comments," indicates an account that is past due, open or closed, and whether a payment has ever been late.

At the bottom of the sample credit report, you will notice a public record reference showing a dispute between the consumer and creditor that was settled in small-claims court. This is followed by a summary of the consumers' side of the disputes, based on an explanation that the consumer provided to the credit bureau.

Here is a link to get a sample Experian credit report:

http://www.experian.com/credit_report_basics/pdf/samplecreditreport.pdf

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How to Improve Your Credit Report

It is important to know what you can do to change information that is reported about your past credit history. It is also important to know what cannot be done. The first two parts of this section tell you what courses of action are available to you when you spot errors or omissions in your credit report. This third part of this section explains how time and three special circumstances affect your credit report, and when you can ask for negative information to be removed.

How to Correct Errors

Your credit file may contain errors that can affect your chances of obtaining credit in the future. Under the Fair Credit Reporting act, you are entitled to have incomplete or inaccurate information corrected without charge.

If you dispute information in your report, the credit bureau must reinvestigate it within a "reasonable period of time" unless it believes the dispute is "frivolous or irrelevant." To check on the accuracy of a disputed item, the credit bureau will ask the creditor in question what its records show. If the disputed item is on the public record, the credit bureau will check there instead. If a disputed item cannot be verified, the credit bureau would have to delete them. If it showed that you were late in making payments but failed to show that you're no longer delinquent, the credit bureau would have to add information to show that your payments are now current. Also, at your request, the credit bureau must send a notice of the correction to any creditor who has checked your file in the past six months. Your credit file may not contain information on all of the accounts you have with creditors. Although most national department stores and all-purpose bank credit card accounts will be included in your file, not all creditors supply information to credit bureaus. For example, some travel-and-entertainment and gasoline card companies, local retailers and credit unions do not report to credit bureaus.

How Time Affects Your Credit Report

Under the Fair Credit Reporting Act, credit bureaus can report most negative information for no more than seven years. The seven-year period runs from the date of the last regularly scheduled payment that was made before the account became delinquent, unless the creditor later took action on the account, such as charging it off or obtaining a judgment for the amount due. If a creditor took such an action, the seven years would run from the date of that event. For example, if a retailer turned over your past-due account to a collection agency in 1998, a credit bureau may report this event until 2005. You should be aware that if you made a payment after 1998 on this account, your action would not extend the permissible reporting period beyond 2005. There are exceptions to the seven-year rule. Bankruptcies may be reported for 10 years. Also, any negative credit history information may be reported indefinitely in three circumstances:

- If you apply for $50,000 or more in credit
- If you apply for a life insurance policy with a face amount of $50,000 or more.
- If you apply for a job paying $20,000 or more (and the employer requests a credit report in connection with the application).

You can contact the credit bureau if you believe the negative information is being reported beyond the permitted period and ask that it be removed.

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What is the Federal Reserve and How Does it Affect My Mortgage Rate?

Let's take a quick look at what causes home mortgage loan interest rates to fluctuate. The Federal Reserve (or The Fed) always monitors our country's economy. The Fed is the central banking system of the United States. The Board of Governors (appointed by the President of the U.S.) monitors the financial world and takes steps when necessary to address concerns on inflation. It also works to avoid economic recession, and even depression. What convolutes the scenario is everything we read and hear from the media around us. Mass media weighs in on The Fed's decisions with commentary and opinions. The question remains: how does The Fed affect mortgage loan interest rates? The simple answer: not directly.

The Prime rate is not under The Fed's control directly. However, the actions of The Fed make a difference. Mortgage-backed securities actually predict mortgage interest rates. Those securities are like bonds and trade daily. Therefore, competition between stocks and bonds on the open market directly affects home mortgage loan interest rates.

Here's a closer look at how the stock versus bond fight affects your potential interest rate. Every day mortgage-backed securities compete with stocks and bonds for the same investment dollars. When The Fed drop interest rates to boost the economy, it often leads to a **stock** market rally. That's a **bull market** and money used for stock investment comes from selling off other investments like mortgage-backed securities. This causes mortgage interest rates to climb.

On the other side, when The Fed decides interest rates need to go up, it often creates concern that corporate profits will take a hit. In this instance, investors sell of stocks and look for a place to put their money until the next stock rally. This is called the bear market. One common place during this investment holding pattern is mortgage-backed securities. This flood of money causes home mortgage loan interest rates to come back down.

Keeping an eye on this daily market activity in the short-term and long-term is all part of what a good mortgage professional does. A concerned mortgage consultant constantly stays involved in market news and activity.

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What Does, "*Lock In" an Interest Rate mean*?

Interest rates fluctuate constantly on the open market. There are several reasons this happens, but the bottom line is that several factors can also cause home mortgage loan rates to go up or down daily. So it's never a good idea to gamble with these rates. It could mean a big difference in what you pay over the life of a mortgage. Get with a mortgage consultant to assess whether it is time for you to lock in a mortgage rate. That hopefully leads to the best experience possible for you during the mortgage loan process. In fact, your mortgage cannot close without a locked in rate. Let's look at the main elements that must be considered.

Interest Rate

First, there's the actual **interest rate.** These rates deal in fractions of percentages. Sometimes rates can jump or fall by an entire percentage point. By locking the rate, you get a guarantee of that interest rate.

Length of the Lock

Second, we look at the **length of the lock.** This is the length of time between locking your interest rate and closing your loan. During this time the seller is taking care of his or her issues, and you're getting your loan processed. Rate locks typically run as a 30-day, 45-day or 60-day lock periods. Your loan officer will work with you to determine the most appropriate lock period for you.

Fees or Points

This takes us to point three, **fees or points.** You may decide to pay points to lower your interest rate. Your mortgage professional will go over your options with you to help figure out whether bringing in extra cash at closing to lower the interest rate makes sense for your situation. Extending your lock period will cost you more, increasing your cash to close. Be sure to respond to your loan officer's requests for information or documents in a timely manner. This will help ensure your rate lock period will not need to be extended.

Keep in mind; locking in a rate does not obligate you to commit to the loan until it's actually closed. Locking your rate is a security measure to protect you against market ups and downs during your loan process. It's part of a standardized process we have in place to make sure you have the best possible experience securing your home mortgage loan.

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What is an Appraisal and Why Do I Need One?

The appraisal process can seem confusing or daunting. What is it and why do I need one; it's a question we hear from time to time, especially in a volatile market.

An appraisal is a report that states the value of the home based on the sales price of similar homes in the area in the last 6 months. Appraisers will sometimes use pending sales to help support the value they determined as a "fair market" value for the home. Sellers often feel their house is worth a certain amount, often based on what they paid originally. Sometimes that figure differs from an appraiser's numbers. For instance, if the seller put in $15,000 worth of landscaping to increase the value and curb appeal of your home, they may see it as a larger value. However, if the local market values the work at $10,000 then an appraiser will go with that number.

Sometimes you can expect upgrades to have full value when the home is newer. This may happen because the additional money was required when building the home. On the other hand, remodeling or upgrading an older home may cost more than the market value in the area. An appraiser also looks at these trends over the past 6 months to come up with his or her figures. Also of interest: pending or recently closed sales in the area. This shows the buyer whether there's room for negotiating in the home price.

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Negotiating a Home Sale is an Art Form

Anyone who has bought or sold a home can tell you, there is always some degree of give and take during the deal. The event can be intimidating to first time homebuyers and experienced buyers alike. There are a few things you can keep in mind to help ensure you get most of what you want out of the deal.

- Make sure your Real Estate Agent is the same page as you. Having an agent on your side who knows what you want is vital. This person should know exactly what your priorities are during the deal. They should also have experience representing a buyer, not just a seller.

- Listen to the seller on what they want out of the deal. Figure out their priorities so you can understand the negotiation points. Understanding the seller’s top priorities can help leverage your wants along the way.

- Find out why the seller wants to sell. If the person cannot keep up with the daily maintenance of the home, that could mean problems get passed onto you. If you’re looking at a fixer-upper, we can look at options like the 203k loan and other FHA programs you can look into.

- Understand the market. Ask your Real Estate Agent to perform a comparative market analysis. This will help you understand the trends in the area in which you want to buy. It will also arm you with facts on things like asking price, how long the property has been on the market and whether the price has come down during that time.

A good idea during the purchase process is to take a walk around the neighborhood. A tour can help you find out what the neighbors are like, and whether there are any issues in the area. Talk to the local police department about crime rates. Ask questions, this could soon be your home. You deserve to know.

Every good deal should have benefits on both sides. If the seller is intent on getting a certain point in the deal, make sure you get something also. Appliances and amenities already in the house like garbage disposals and dishwashers are most often going to stay there. Look for other points to negotiate in exchange for a high-ranking item on the seller’s list. Remember: compromise can save quite a bit of hassle when it comes to a negotiation, smooth closings center on a win-win situation for both parties.

Be direct and keep the deal simple. Having a mortgage loan adviser on your side like our teams at AmeriFirst can arm you with the tools to get a good deal. Let us know how we can help by getting a **free consultation** today.

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Let’s Get Ready to Move

Moving can be stressful. Take the edge off. Print this handy-dandy list to use to help you get ready for your move.

A month before the move:
__ Set up a "move" folder or file with all of your paperwork.
__ Set up a "move" calendar to mark off your important dates.
__ Make sure you have all your paperwork (financial, tax and employment) needed for your loan.
__ Transfer insurance policies (life, auto, homeowners).
__ Hold a garage sale to liquidate your “stuff.”
__ Whatever you don’t sell, donate.

3 weeks before the move:
__ Some moving expenses can be written off on your taxes. Check with your tax advisor for your options.
__ Get in touch with your utility companies (telephone, gas, electricity, water, garbage, cable/satellite) for a cut-off date.
__ Ask the post office for a change of address kit.
__ Find out where your next voting precinct is and get ready to register.
__ Take time to call friends and family to tell them you’re moving. Maybe they’ll offer to help!
__ If you have pets, arrange for someone to care for them on moving day.

2 weeks before the move:
__ Make a list of any clothes you’ll need and won’t be packing.
__ Put all financials in your new address. This includes any stocks, bonds, bank accounts and contents of safe deposit boxes.
__ Look through the list and check off anything that’s not done.

The week leading up to the BIG MOVE:
__ Set aside and label anything you’ll need to get to during the move. Put them somewhere you can get to easily.
__ Get your outdoor things ready. Drain hoses and propane grill tanks. Prepare lawnmower oil and gas.
__ Get rid of old paint, oil, aerosols and other hazardous materials. Look into your community hazardous waste disposal.
__ You’ll need power and phone at your new place. Get in touch with the utility companies at your new place.
__ Your refrigerator should air out at least 24 hours before your move.
__ Pack bag of water and snacks for moving day.

The day of the MOVE OUT:
__ Keep in mind that anything you pack first will be unloaded LAST. This works in reverse, too.
__ Look around one more time. Have you checked the storage areas? Look in the attic, closets, cupboards, behind doors and under the stairs.
__ Take time to breathe. The move is almost over.

Time to MOVE IN:
__ Head to the new home and get it ready before the moving truck arrives.
__ Take a moment to relax. This is your new home. Enjoy it!

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The Inside Track to Industry Terms

203(k) or 203K LOAN
This FHA backed loan can be used for home improvements, renovations or repairs before purchase or as a refinance. The purchase loan provides financing for a property including the work to be done, all rolled into the life of the mortgage. Luxury items such as pools are not covered. The 203k Streamline covers repairs of less than $35,000 and which are NOT structural.

ABSTRACT OF TITLE
A brief history of the title of a property. It should be a chronological history of recorded instruments that affect the title of the subject property. It generally includes references to deeds, mortgages, wells and court litigations. Some states allow the use of an abstract for title searches. After the conclusions of the title search, an opinion is issued by the attorney that can be used to obtain title insurance. However, the abstract does not guarantee the title. It can only reveal what is of public record. If will not protect against fraud or forgery as title insurance does.

AMORTIZATION
Loan amortization is the process of paying off a debt or mortgage. This usually is done in monthly payments. Included is a portion for interest, and a portion for principal. This exists for all amortized loans, whether it is a graduated payment mortgage, adjustable graduated mortgage, or level payment mortgage.

AMOUNT FINANCED
The base amount of the loan. This does not include closing costs, discount points, or mortgage insurance premiums. The amount is associated with a disclosure statement used in compliance with the Truth in Lending Act.

APPRAISAL
Estimated value for a home or property for a specific purpose on a given date. This is the "bank value" of the home and will include factors such as sales of similar homes in the past 6 months and other historical data. Appraisals can be verbal or written.

APPRAISER
A person who estimates value on a professional level. ASA, MAI, SRA, SRPA, and SREA are some professional designations.

APPRECIATION
An increase in the value of property. The exact opposite of depreciation.

ARREARS
Interest on home mortgages is paid in arrears. Rent is normally paid in advance. A good example is a rent payment made June 1 is for the month of June; a payment made June 1 on a mortgage is the interest for May.

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ARTESIAN WELL
A deep well where water rises to the surface by natural pressure, and no pump is needed.

AS-IS
Property sold in its present condition with no warranties made about the plumbing, heating, electrical, or other physical plant attributes, or the possibility of infestation by termites.

ASSESSMENT
The official value of a property for tax purposes.

BALLOON MORTGAGE
A loan where the regular monthly payments do not amortize the loan. At an agreed period in the future, the loan is due and payable in full. The amount of the balloon payment must be stated in the contract if Truth-in-Lending provisions apply to the loan.

BASIS POINTS
A term used in expressing a relationship to interest rates. One basis point is equal to 100th of one percent. The difference between 8.25% and 8.50% is 25 basis points.

BI-WEEKLY MORTGAGE
A mortgage with 26 bi-weekly payments through the year versus 12 monthly payments. Usually allows a borrower to repay interest faster and amortize the loan more quickly.

BOARD OF REALTORS
The State, National and Local Associations of Realtors have boards.

BOTTOM LAND
Low land which is situated near a body of water.

BREACH OF CONTRACT
Failure to perform a specific item or items within a contract. The party that did not violate the contract is able to sue for damages, or to force the other party to perform under terms of the contract.

BUILDING CODE
A system of standards for constructing and modifying buildings in an area established by federal, stated, county or city governments.

BUILDING PERMIT
A written permit issued by local government to provide permission to build.

BUSINESS DAY
Monday through Friday, excluding holidays.

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BUYER'S MARKET
This happens when market conditions lead to more sellers than buyers. Lower prices often accompany this market because supply is higher than demand. Also called a soft market.

CAPITAL GAIN
Taxable profit from the purchase and subsequent sale (at a profit) of an asset.

CERTIFICATE OF INSURANCE
Proof that insurance is in force. This type of certificate indicates that type of insurance, the amount of coverage, the date of coverage, and the in-force and expiration dates.

CERTIFICATE OF TITLE
Prepaid by a licensed abstractor, attorney, or title company, it is a written opinion on the status of the title to real property based on public records. This type of certificate does not guarantee the title, but simply gives an opinion of the title. The only document that guarantees title is title insurance.

CERTIFIED CHECK
A check issued or guaranteed by a bank or credit union. This type of check cannot be revoked by a stop payment. In real estate transactions, a certified check is normally required to close the transaction.

CLEAR TITLE
The phrase used to state the owner of the property owns it free and clear of encumbrances such as liens or easements. The only exception is when both parties agree on any liens, claims or defects.

CLOSED-END MORTGAGE
A mortgage amount that is fixed and cannot be increased. Unlike open-ended mortgages, there are no savings involved in paying off the closed-end mortgage early.

CLOSING
The process of actually transferring a title. Closing can be handled by an attorney, escrow company, lender, broker, or occasionally by the parties themselves, depending on state law.

CLOSING COSTS
Typically, all costs associated with closing. Can include, but is not limited to: mortgage origination fee, credit report fee, appraisal fee, recording fees, home inspection fee, mortgage tax, title search expense, BA funding fee, costs of termite report, survey, sales commissions and mortgage insurance premiums.

COMPARABLES
A method of determining market value. Sales of similar or comparable property can be the basis for determining the value of a property.

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CONFORMING
Used in secondary marketing, indicates conventional mortgages that adhere to standards set forth by FHLMC (Freddie Mac) and FNMA (Fannie Mae). If the loan amount is too large, or underwriting guidelines used are unacceptable to FHLMC and FNMA, the loan is termed non-conventional.

CONVENTIONAL LOAN
Mortgages not associated with the VA or FHA is called conventional because they adhere to conventional standards within legal limits by mutual consent of the lender and borrower.

CO-SIGNER
Someone who lends his/her credit and character to another individual for the purpose of obtaining credit. The co-signer is on the loan application and note, but not on the deed of trust or mortgage. The co-signer shares in the liability for the loan, but not the ownership.

COUNTER OFFER
A change and re-submission of the original offer to buy or sell a property, made in response to the original offer.

CREDIT REPORT
A written report that serves to help the lender decide the credit risk of potential borrowers.

DEED
An instrument used to transfer ownership of a property from one person or entity to another. Ownership begins with the recording of the deed for the purchaser, and ownership terminates with recording the deed for the seller.

DISCLOSURE
Lenders are required by the Truth In Lending Act to inform borrowers what the true cost of borrowing the money is, the closing costs, and special conditions of a mortgage.

DISCOUNT POINTS
A discount point expressed as a point or a percentage. A discount of 3 points would be 3% of the loan amount.

DOWN PAYMENT
Initial upfront portion of the total amount due for purchase (the mortgage loan), usually made in cash or check at the time of closing. The purpose is to ensure the lender that you can pay this loan. It shows that the borrower can raise a certain amount of money for long-term investment; evidence that that the borrower's finances are sound.

EARNEST MONEY
Cash deposit that accompanies a sales contract, showing good faith to abide by their terms of the contract. Earnest money can be forfeited by the buyer, who does not abide by the conditions of the purchase agreement. At closing, earnest money is usually credited toward the down payment.

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EQUITY
How much money is “invested” or paid into a property. A $100,000 property with a $75,000 mortgage is said to have $25,000 in equity.

ESCROW ACCOUNT
An account funded by the borrower meant to hold money until successful compliance of an agreement such as a contract of sale is executed. Most often an escrow account is used to pay insurance and taxes. It can also be used in a 203k loan to pay contractors.

FAIR CREDIT REPORTING ACT (FCRA)
Designed to regulate the consumer credit reporting industry. It ensures accurate, fair, and timely reporting of consumer credit information, and requires disclosure obligations on use of consumer credit reports.

FAIR HOUSING ACT
The law regarding selling or leasing residential property, which makes it unlawful to discriminate based on factors including color, race, sex, national origin, religion, family status or disability. HUD and the Office of Fair Housing and Equal Opportunity (FHEO) handle complaints.

FIRST MORTGAGE
The primary “original” mortgage, taking precedents over all prior loans, making those loans “junior” to the first mortgage. The property security, which is collateral for this primary mortgage, is evidence of the full appraised value at the precise time the loan is made.

FORECLOSURE
Legal action taken by a creditor or mortgage company to force the sale of property to satisfy a debt secured by the property. Judicial foreclosure, non-judicial foreclosure and strict foreclosure are three types of foreclosure.

GIFT LETTER
If some or all of a down payment is in the form of a gift from a relative, most lenders require a gift letter to verify the source of the funds. Each lender has different requirements as to what must be in the gift letter, and limitations of the gift.

GOOD FAITH ESTIMATE
An estimate of the settlement charges the borrower will incur at closing. This written documentation is required by the Real Estate Settlement Procedures Act (RESPA). Any changes to this estimate must be presented in written form to the borrower.

HAZARD INSURANCE
Insurance covering physical damage to property. Guidelines for hazard insurance are established by each lending institution for the minimum coverage required.

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HOME EQUITY LOAN
A second mortgage based on the equity the owner possesses in a home. This loan can be used to improve the property, or for other uses.

HOUSING CODE
Municipal ordinance regulating heating, plumbing, occupancy standards, roofing and other standards for occupied structures.

INSPECTION CERTIFICATE
Lenders often require a certificate to insure the collateral used for a loan is the same as indicated in a loan application.

INSURANCE
The term insurance covers several policies. Homeowners or hazard insurance covers damage to the structure. Private Mortgage Insurance (PMI) is paid by the borrower to cover the lender in case of default, and the lender cannot recover its costs after foreclosure and sale of the property. Flood insurance covers damage in case of flooding (it is separate from hazard insurance) and may be required in some areas.

JOINT AND SEVERAL LIABILITY
A lender can sue one or all of the borrowers to force satisfactory performance and payment; an obligation from all or one of the borrowers to the lender.

LATENT DEFECT
A defect that is hidden or concealed. It is not easily seen nor discovered by the purchaser or inspector, but is known by the sellers.

LEASE PURCHASE
Sellers and Purchasers can enter into agreements to purchase property with the rent payments going towards the sales price, most often towards the down payment. Most lenders provide guidelines for this type of plan. If the rent paid is less than fair market rent, the lender can view the transaction as the seller giving the buyer the down payment via reduced rent.

LEVEL PAYMENT MORTGAGE ORIGINATOR
A constant payment of a fixed amount each month until the debt is paid. By constant payment, it is meant to be a fixed rate mortgage versus an adjustable rate of graduated payment mortgage.

LIEN
Claims made against the property of another as security for the money owed. Liens can be general or specific, and can be statutory or equitable.

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LITIGATION
Legal action, including all proceedings therein; a lawsuit.

LOAN AGREEMENT
The written agreement to repay a loan. If it is secured by a mortgage, it is a note describing how the payments will be made and any other actions that will be performed.

LOAN COMMITMENT
A document from a lender agreeing to lend a specific amount of money for a specific purpose over a specific amount of time.

LTV (LOAN TO VALUE RATIO)
Percentage borrowed in the acquisition or refinancing of property. If a property is worth $100,000, and the loan is for $80,000, then the loan-to-value ratio is 80%.

MARKET VALUE
The price at which, barring distress, a purchaser is willing to pay and the seller is willing to sell.

NEGATIVE AMORTIZATION
Results in mortgage loan balance actually increasing instead of decreasing. The monthly payments do not pay the full interest due for the month, and the remaining interest rolls over and is added to the principal.

OPEN END MORTGAGE
When mortgagor and mortgagee agree, future advances of principal can be arranged. The borrower will receive a limit of the total outstanding balance. Similar to a line of credit.

PERSONAL PROPERTY
Items such as cash, jewelry, furniture and securities that are not classified as real property or real estate.

PITI
Principal, Interest, Taxes and Insurance (your total monthly payment).

POWER OF ATTORNEY
Written permission for one person or party to act on the behalf of another person or party.

PREPAYMENT
An advanced payment on a Loan. Loans can either permit such payments without penalty, or there may be a penalty for such prepayments.

PRINCIPAL
In mortgage terms, the loan balance. Can also indicate a party to a transaction, or the principal can hire an agent to represent him in wither a purchase or sale.

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PRIVATE MORTGAGE INSURANCE, OR PMI
Insurance against the default of a loan. Costs are dependent on the amount of insurance required and the guidelines in force at the time of loan.

RATE CAPS
Used in adjustable rate mortgages (ARMs), these caps limit the increase of decrease in the interest rate of the mortgage. There can be caps for each period as well as the life of loan caps.

REFINANCE
To pay off an existing loan with a new one.

RELEASE OF LIABILITY
Releasing a mortgagor from personal liability for a mortgage loan.

SEASONED LOAN
A loan that has been paid on time for a sufficient amount of time to give a lender the reasonable belief that it will continue in a like manner. FHA requires a loan to be outstanding for twelve months before it is seasoned. Other secondary marketers may have varying guidelines.

SECOND MORTGAGE
A real estate mortgage that is a second or junior mortgage to the first or senior mortgage. The first mortgage gets paid off first before the second mortgage. Therefore, second mortgages are riskier for lenders and generally come with a higher interest rate.

SETTLEMENT
For real estate purposes, same as closing.

SHORT SALE
A sale of real estate in which the sale proceeds fall short of the balance owed on the property's loan. It often occurs when a borrower cannot pay the mortgage loan on their property, but the lender decides that selling the property at a moderate loss is better than pressing the borrower. Both parties consent to the short sale process, because it allows them to avoid foreclosure.

SOLVENT
A financial position of being able to meet one’s current financial obligations.

SUB MORTGAGE
Using a mortgage as security for obtaining additional mortgages. As an asset, it can be used as collateral for a loan.

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SURVEY
A drawing completed by a licensed surveyor who details the measurements of land parcel as well as the improvements to the land. Survey used for loan transactions will need to be performed no more than 90 days before the closing of the loan, and must be accompanied by a certificate.

TAX LIEN
Lien made by the federal or state government against property for unpaid taxes.

TITLE
Documentation to the rightful ownership. In real estate, refers to the rightful ownership of real property.

TITLE INSURANCE
Also called a lender's policy protects a creditor against losses related to defects in title.

TRUST DEED See "Deed of Trust"

TRUTH IN LENDING ACT
A 1969 law required full disclosure in writing of any and all costs associated with the credit side of a purchase, including the Annual Percentage Rate, if applicable.

VA
Veterans Administration

WRAP-AROUND MORTGAGE
A type of financial allowing a junior mortgage (new) to be treated as a prior or senior mortgage. The wraparound mortgage payment is a combination of all mortgage payments.

ZERO DOWN LOAN
Also called 100% financing this loan requires no down payment. However, borrower may be required to pay money at closing to cover escrow, inspections or fees.

ZERO ORDINANCES
Local government's authorized rules regarding building codes and restrictions for property land usage.

Let Me Know How I Can Help

The mortgage process can be very a very formidable as well as intimidating process. Sometimes you need a little direction to get you to the next step. I can help you get past that next hurdle. [Contact Sheri].

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