Your Guide to Home Financing

FURLONG TEAM

952-232-4133

www.furlongteam.com

NMLS 275939 | NMLS 225504

The Furlong Team

Mortgages Unlimited
guiding families home

Equal Housing Opportunity

STEP 1- GETTING PRE-APPROVED

How much home can you afford?

Before you picture yourself living in a home, you might want to know if you can afford it and that you'll be approved for a home loan. A great first step is creating a budget for yourself so that you know your range of comfort for housing expenses.

If you would like our assistance, we can help you create a simple budget.

Income	
Monthly Gross Income	$ 4,650
Spouse Gross Income	$ 5,350
Total Monthly Gross Income	$10,000
Less taxes, FICA, 401k	$ (3,390)
Less insurance	$ (1,260)
Net Monthly Income	$ 5,350

Expenses	
Auto loan payment 1	$ 425
Auto loan payment 2	$ 350
Auto insurance	$ 90
Auto fuel, maintenance	$ 275
Utilities	$ 250
Phone, television	$ 180
Travel	$ 500
Entertainment	$ 250
Dining, groceries	$ 600
Credit card payment	$ 150
Other Savings	$ 500
Subtotal Expenses	$3,570
Available spending for housing (net income less subtotal expenses)	$1,780

The next step is getting pre-approved from your Mortgage Consultant.

The lender analyzes your current liabilities and monthly gross income to determine if you can be approved for the loan amount you have requested.

We need to ensure that you have the ability to repay the loan. Generally speaking, your proposed mortgage payment and your other current liabilities should not exceed half of your gross monthly income. Be sure to discuss with your Mortgage Consultant your maximum qualifying debt-to-income ratio.

It is in your best interest to have the following documents available for your lender at the time of pre-approval. Having these documents in before you make an offer allows your lender to confirm your income and asset details, and helps to ensure an on-time closing.

STEP 1- GETTING PRE-APPROVED

Here are the documents needed, as applicable:

- Last 2 years W2 forms and/or 1099s
- Last 2 paystubs covering 30 day period
- Contact name and telephone number to verify employment
- Last 2 years signed federal tax returns
- Copy of photo identification
- Most recent two months' asset statements, all pages
  - -All deposits, not payroll related, into any documented asset account need to be sourced.
  - -NO borrowed funds or gifts without prior approval.
- Mortgage statement
- Home insurance declarations page
- Bankruptcy discharge, divorce decree or sale HUD/closing disclosure
- Lease agreements
- Homeowners association information

Each loan application is different. Please review with your Mortgage Consultant as there may be more items needed in addition to the listed items.

Ask us about the option for you to securely upload documents to us directly.

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MYTH BUSTING

Let's talk about a few myths that we may need to dispell.

Myth 1: You need to put 20% down - There are many lower down payment and zero down payment loans to choose from. These are especially appealing to first time home buyers, but even a second-time home buyer has options for down payment assistance. It used to be commonplace that a down payment was 20% of the home price, but today that is not generally the case. Home prices are far different than they used to be and saving that much for a down payment is difficult.

Myth 2: I won't be able to buy a home with less than perfect credit - Good credit is very important as it may impact the programs or interest rate for which you qualify. However, it is important to know that many programs are available for buyers with less than perfect credit. The best part is, our Mortgage Consultants can analyze your credit and advise you on ways to improve it.

Factors other than your credit score are also considered during the mortgage application process. Buyers with lower credit scores still may be able to get a mortgage if they have good income and lower levels of debt. There are several loan programs that have flexible credit standards.

Myth 3: Renting is cheaper - It may appear that rent is cheaper but consider this:
It is common for rent to increase upon the renewal of your lease. Landlords increase rent every year to adjust for inflation and the cost of maintaining their property, and there's not much you can do about it aside from moving to a different place.

Unlike rental costs, your monthly principal and interest payments will stay the same for the life of a fixed-rate mortgage. Moreover, as a homeowner, you'll be building equity in your home, which is wealth that you can use to achieve your financial goals. Additionally, home-ownership comes with an array of potential tax benefits.

Myth 4: If you owe a lot of student loan debt, there is no way you can get a mortgage. FALSE! Having student loan debt does not automatically disqualify you from getting a mortgage. We will evaluate your current liabilities and income to determine the amount of mortgage for which you qualify. Sometimes your student loan payments can be reduced which would allow you to qualify for more.

LOAN OPTIONS

What mortgage programs are available to you?

FHA Loan - An FHA loan is a federally insured loan that has the option to put as little as 3.5% down with flexible credit standards.
VA Loan - If you are serving or have served in the United States Armed Forces, you may qualify for a VA loan with a low to zero down payment option. We waive all underwriting and processing fees, title companies waive their closing fee and the Realtor's administrative fees are also waived for VA eligible home buyers. Our small way of thanking Veterans is placing the highest priority on their loan application.
USDA Home Loan - This is a rural housing loan that requires zero down payment. The property being financed must be in an eligible area as determined by the USDA and borrowers must qualify under program guidelines, which include a household income limit.
Conventional Loan - A conventional loan is not part of a specific government program, such as FHA, USDA or VA loans. These are loans typically sponsored by Fannie Mae and Freddie Mac and are not government issued.
Freddie Mac and Fannie Mae - Fannie and Freddie are national mortgage program sponsors. They were created by Congress to provide mortgage liquidity around the country. Their purposes include developing underwriting guidelines, offering automated underwriting systems, insuring mortgages for investors and facilitating loan origination.

You need a strategic lender with expertise and a wide array of mortgage programs. We have access to the vast majority of financing options available in the marketplace. Each of our clients' needs are unique; ask us how we can custom tailor a loan program for you.

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CHOOSING A REAL ESTATE AGENT

Why choosing the right real estate agent matters.

A great Real Estate Agent should keep you focused and have you looking at homes that fit your needs, wants and price range as previously discussed.

Some agents specialize in specific niche real estate markets and become the leading authority in that particular area. If you are looking to purchase in a specific area or school district, find an agent in that market who will have in-depth knowledge of the area.

Your Real Estate Agent's job is to work on your behalf. Be confident with whom you'll be choosing to represent you.

Asking your Mortgage Consultant for a referral is highly recommended. Your Mortgage Consultant can connect you to expert Realtors that serve the areas you are interested in living. Your Realtor can make all the difference for you in getting your dream home! Do your research. Check online reviews and recommendations from prior clients. Interview potential agents for a great fit.

It is important that your Agent:

- Is experienced and knowledgeable
- Makes you feel comfortable
- Is a local market expert in your desired neighborhoods
- Is active and respected in the real estate industry

You've found the home you want

What happens from here on out?

We'll keep this as simple as possible. Start with finding a home that fits your needs and follow the steps below:

Estimate payment and funds needed: Your Mortgage Consultant can calculate your monthly loan payments including property taxes and insurance to determine funds needed for closing.

Make your offer: You and your agent will discuss what you want to offer and your terms. This offer is either accepted, countered or rejected. Once you come to an agreement and the offer is accepted, in most cases, you will need to give an earnest money deposit to your Realtor. Make sure your earnest money comes from the account your Mortgage Consultant reviewed. The more earnest money the better as it shows you are a serious buyer.

Home Inspection: A home inspection is not required. However, investing a couple hundred dollars could potentially save you thousands of dollars in repairs later.The home inspection will alert you to any defects you will want to consider before you are committed to purchasing this home.

Review loan disclosures: The initial loan documents are meant to get you and your lender on the same page working towards a common goal. The disclosures will include your loan application, the Loan Estimate, authorizations for the lender to verify your income and employment and important information you need to know. The Loan Estimate includes all the financial considerations for the loan in which you are applying.

Appraisal: Your lender will order an appraisal on your behalf. The appraiser selection process is random per federal rule. The appraiser's responsibility is to document the collateral for your loan. The appraiser will estimate the value of your new home based on other nearby, recent sales of similar homes.

Loan processing and underwriting: Your lender will be working hard to review all your application materials and ensure that your file is in proper order. We work behind the scenes to make sure the loan for which you are applying makes sense within your financial qualifications.

Obtain homeowners insurance: It is very important to have a reputable home insurance company. Your lender and Realtor will have recommendations of local, reputable providers.

You've found the home you want

What happens from here on out?
continued...

Closing Disclosures: These are the documents your Mortgage Consultant will send to you at least 3 business days before closing. It will provide the most accurate figures for the funds needed at closing for you to review so you are well prepared.

Final walk-through: This is the last time you will view your new home before closing. Make sure everything is in order and make sure the condition of your new home is as expected.

Closing: The day your dream becomes a reality! You will review your mortgage documents and have the deed of trust signed over to you by the seller. Make sure everyone taking ownership of your new home is with you, brings their ID, and funds needed for closing in the form of a cashiers check or a wire transfer. Hooray! You are now a home owner!

GLOSSARY

Adjustable-rate mortgage (ARM): a mortgage in which the interest rate is adjusted periodically based on a pre-selected index. Also sometimes known as a variable-rate mortgage.

Amortization: loan payment by equal installments of principal and interest, calculated to pay off the debt at the end of a fixed period.

Annual percentage rate (APR): the interest rate reflecting the cost of a mortgage as a yearly rate. It allows home buyers to compare different types of mortgages based on the annual cost for each loan.

Appraisal: a document giving an estimate of a property's fair market value; generally required by a lender before loan approval.

Assessment: a local tax levied against a property fora specific purpose, such as a sewer or street lights.

Balloon (payment) mortgage: usually a short term fixed-rate loan which involves small payments for a certain period of time; after that time period elapses, the balance is due or is refinanced by the borrower.

Borrower (mortgagor): a person approved to receive a loan who is then obliged to repay it and any additional fees according to the loan terms.

Cap: a consumer safeguard on an adjustable-rate mortgage that limits how much a monthly payment or interest rate can increase or decrease.

Certificate of eligibility: document given to qualified veterans entitling them to Veteran's Administration guaranteed loans. Obtained by sending DD-214 (Separation Paper) to the local VA office with VA form 1880 (request for certificate of eligibility).

Certificate of reasonable value (CRV): appraisal issued by the Veterans Administration showing a property's current market value.

Closing: the meeting between the buyer, seller, real estate agents and lender where the property and funds legally change hands.

Commitment: agreement, often in writing, between a lender and a borrower to loan money at a future date subject to the completion of paper work or compliance with stated conditions.

Construction loan: short term interim loan to pay for the construction of buildings or homes. Usually written to provide periodic disbursements to the builder as progress is made.

Contract sale or deed: contract between buyer and seller of real estate to convey title after certain conditions have been met.

Conventional loan: a private sector loan, one that is not guaranteed or insured by the U.S. government.

Credit report: documents an individual's credit history, listing all past and present debts and the timeliness of their repayment.

Debt-to-income ratio: the ratio, expressed as a percentage, which results when a borrower's monthly payment obligation on long-term debt is divided by their gross monthly income.

Deed of trust: in many states, a document used instead of a mortgage to secure the payment of a note.

Default: failure to make the monthly payments on a mortgage.

GLOSSARY

Delinquency: failure to make payments on time. This can lead to foreclosure.

Down payment: the portion of a home's purchase price paid in cash and not part of the mortgage loan.

Earnest money: money given by a buyer to a seller as part of the purchase price to bind a transaction or assure payment.

Equal Credit Opportunity Act (ECOA): a federal law requiring lenders to make credit equally available without discrimination by race, color, religion, national origin, age, sex, marital status, or income from public assistance programs.

Equity: an owner's financial interest in a property; calculated by subtracting the amount still owed on the mortgage from the fair market value of the property.

Escrow: an account held by the lender into which the home buyer pays money for tax or insurance payments.

FHA: the Federal Housing Administration provides mortgage insurance to lenders to cover most losses when a borrower defaults; this encourages lenders to make loans to borrowers who might not qualify for conventional mortgages.

FHA loan: loan insured by the FHA open to all qualified home purchasers. While there are limits, they are generous enough to handle moderately priced homes almost anywhere in the country.

FHA mortgage insurance: a policy premium paid at closing and monthly to FHA. This premium insures the loan over the term for the lender.

Fixed-rate mortgage: mortgage with payments that remain the same throughout the life of the loan because the interest rate and other terms are fixed.

Foreclosure: a legal process in which mortgaged property is sold to pay the loan of the defaulting borrower.

Hazard insurance: form of insurance in which the insurance company protects the insured from specified losses, such as fire or windstorm.

Lien: a legal claim against property that must be resolved before the property is sold.

Loan-to-value (LTV) ratio: a percentage calculated by dividing the amount borrowed by the sales price or appraised value of the home to be purchased.

Lock-in: guarantees a specific interest rate if the loan is closed within a specific time.

Market value: the highest price that a buyer would pay and the lowest price a seller would accept on a property.

Mortgage insurance: a policy that protects lenders against some or most of the losses that can occur when a borrower defaults on a mortgage loan; usually required with a down payment of less than 20%.

Mortgage modification: an option that allows a borrower to refinance and/or extend the term of the mortgage loan and thus reduce the monthly payments.

Origination fee: a fee charged by a lender in order to complete the loan process and deliver funds at closing. An origination fee can be offset via a lender credit based upon the interest rate or program selected.

Points: prepaid interest charged at closing by the lender. Each point equals 1 percent of the loan (e.g., 2 points on a $100,000 mortgage would be $2,000).

GLOSSARY

Prepayment: permits the borrower to make payments in advance of their due date, thus saving money on interest.

Prepayment penalty: charges for the early repayment of debt. (There is no prepayment penalty in Minnesota)

Principal: the borrowed amount, less interest or additional fees.

Private mortgage insurance (PMI): insurance paid by the borrower. This may be required by the lender when the down payment is less than 20%.

Realtor: a real estate agent or broker affiliated with the National Association Of Realtors and its local and state associations.

Recording fees: money paid to the lender for recording a home sale with the local authorities, thereby making it part of the public records.

Refinancing: paying off one loan by obtaining another; refinancing is generally done to secure better loan terms (like a lower interest rate).

RESPA: Real Estate Settlement and Procedures Act requires lenders to disclose information about loan settlement costs in advance of closing. This Act also requires the disclosures to have a degree of accuracy. It also prevents anything of value to be given to a Realtor or Title company for the referral of a client, and vice-versa.

Second mortgage: a mortgage made subsequent to another mortgage and subordinate to the first mortgage.

Survey: a measurement of land, prepared by a registered land surveyor, showing the location of the land with reference to known points, its dimensions, and the location and dimensions of any buildings.

Title: a document that gives evidence of an individual's ownership of property.

Title insurance: a policy, usually issued by a title insurance company, which insures a home buyer against errors in the title search. The cost of the policy is usually a function of the value of the property, and is often paid by the purchaser and/or seller.

Title search: a check of public records to be sure that the seller is the recognized owner of the real estate and that there are no unsettled liens or other claims against the property.

Truth-in-lending: a federal law requiring disclosure of the annual percentage rate charged to home buyers shortly after they apply for the loan.

VA loan: a long-term, low- or no-down payment loan to veterans guaranteed by the Department of Veterans Affairs.

Verification of employment (VOE): a document signed by the borrower's employer verifying his/her position and salary.

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