# First time Homebuyers
## Mortgage Do's & Don'ts

**While there are Dos and Don'ts for First Time Homebuyers, we understand that life happens. Sometimes you DO need to start a new job or buy a car. When those things happen, just be sure to let your loan originator know ASAP so that any process adjustments can be made in real time and keep your loan moving smoothly!**

## Mortgage Do's

**DO: Lean On Professionals**

The mortgage process is complex. If you've got questions, your realtor and lender are ready to help.

**DO: Gather Documents and Accounts**

Throughout prequalification, submitting your application, and underwriting, you'll need pay-stubs, bank statements, and other financial documents.

**DO: Pay Your Bills On Time**

Paying your bills on time is a critical component of your credit history—it shows you're a reliable and financially stable borrower.

**DO: Reply Quickly to Communication**

Your lender and realtor will need to be in frequent contact. There will be deadlines that need to be met quickly to get your mortgage completed on time.

**DO: Get Prequalified**

Prequalification can help you understand what a realistic budget looks like, as well as give you a boost with home offers in a competitive market.

## Mortgage Don'ts

**DON'T: Apply for New Credit or Loans**

Your lender evaluates your homebuying power using many variables. Ensure a smooth underwriting process by not changing your credit history.

**DON'T: Max Out Credit Cards**

Lenders use something called the debt-to-income (DTI) ratio to determine if you qualify for a mortgage. If you max out credit, you negatively affect your DTI and may even lose approval.

**DON'T: Consolidate or Close Accounts**

Your available credit is an important part of your overall credit history. Keeping as much credit available as possible shows that you are a responsible borrower.

**DON'T: Raise Red Flags**

The less changes to your credit history, the better. Don't change your address, add authorized users to credit cards, or co-sign for someone else's loan.

**DON'T: Change Jobs**

Steady income is an important piece of evidence to show to your lender. Changing jobs in the middle of underwriting may restart the entire process or even cause approval to be withdrawn.

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# First time Homebuyers
## Prequalification Matters

## HOMEBUYING ROADMAP

**1. Pre-Qualification**
*(Days 1–2)*
- Complete application
- Collect income, asset, credit info
- Get Pre-Qualification Letter

**2. Find Your Home**
*(time varies by Buyer)*
- Work with Realtor, make an offer

**3. Loan Processing**
*(Days 1–3 after contract)*
- Sign initial disclosures
- Provide requested documents
- Appraisal, title work ordered

**4. Underwriting**
*(Days 7–14 after contract)*
- Underwriter reviews your file
- They may request additional info

**5. Closing**
*(Days 30–45 from contract)*
- Final numbers prepared, reviewed
- You sign loan docs at closing

**CONGRATULATIONS!**
You're a homeowner!

## TIPS

***Respond quickly to documentation requests.***

***Avoid new credit, job changes, or large purchases during the process.***

**Without getting prequalified, you won't actually know your true budget for a home. You could find a home, put in an offer, be accepted, and then find out you're not approved for the mortgage.**

**I will meet with you to talk through everything needed, helping you find the budget, loan payment, and other financial terms that will work best for you and your future. Amplify can walk you through the entire process to make sure you have everything you need to make a sound financial decision.**

## Prequalification Checklist

**Have these things handy:**

- ☐ Proof of income: W-2s, 1099s, tax returns, pay stubs
- ☐ Proof of assets: Retirement savings, investments, bank statements
- ☐ Documentation of any gifts that would be used as a down payment
- ☐ Proof of employment
- ☐ Driver's license or other ID
- ☐ Social Security number
- ☐ A list of any debts, like student loans or credit cards



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# First time Homebuyers Loan Application Checklist

**Thanks for the opportunity to help you with your mortgage financing. I look forward to working with you! To process your loan application, please provide copies of the following documents:**

### IDENTIFICATION

*Provide one of the following:*

☐ Driver's License
☐ Passport
☐ Government Issued ID

### INCOME (IF SALARIED)

*Provide copies of the following:*

☐ Paystubs (covering full 30 days)
☐ W-2s (for 2020 & 2021)
☐ 1040 Tax Returns (for 2020 & 2021)

### INCOME (IF SELF-EMPLOYED)

*Provide copies of the following:*

☐ 1099s (for 2020 & 2021)
☐ YTD Profit & Loss Statement
☐ Corporate/Partnership Tax Returns (1120s, K-1s and/or 1065s) for 2020 and 2021, if you own more than 25% of the company.

### ASSETS

*Provide copies of the following:*

☐ Two months of Bank Statements (checking, savings, 401k, IRA and/or investment accounts). Please include all pages of each statement, even if blank.
☐ Gift Letter and Donor Contact Information, if receiving gift funds for a purchase.

### CURRENT HOUSING

*Provide copies of the following, for all properties owned:*

☐ Most recent mortgage statements
☐ Homeowners Insurance policies
☐ Property Tax Bills
☐ HOA Dues Statements

*If you are currently renting:*

☐ 12 months canceled rent checks
☐ Landlord or Property Management contact information

*If you own Investment Properties:*

☐ Fully executed Lease Agreement(s)

### ADDITIONAL DOCUMENTS

*Provide copies of the following documents, if applicable:*

☐ Certification of Trust (or complete Trust), if title to the property is held in a Trust
☐ Permanent Residency Card (front and back)
☐ Foreign Nationals: ITIN Number and current work authorization and/or approved VISA
☐ Certificate of Eligibility (COE) for VA loans
☐ If you receive or are obligated to pay Alimony or Child Support, Divorce Decree and/or Child Support Order
☐ Bankruptcy Discharge paperwork, if filed within the last 7 years



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# First time Homebuyers
## A Schedule of Events

**This checklist outlines the basic homebuying schedule.**
**Consult your loan originator to make sure you have everything you need.**

**Step 1: Before You Make an Offer**

- ☐ Get your credit reports from all three credit bureaus, review your history, and clear up any errors.
- ☐ Prequalify for a mortgage loan to determine your budget.
- ☐ List the characteristics you want in a neighborhood and home.
- ☐ Find a real estate agent.
- ☐ Start looking at homes and neighborhoods.
- ☐ Gather your financial records so a lender can start the loan approval process.

**Step 2: Make an Offer They Can't Refuse**

- ☐ Check the value of homes that are similar to the homes you are looking at. Your real estate agent can help with this as well.
- ☐ Work with your real estate agent to make an offer on a home.
- ☐ Pay earnest money (part of your down payment).

**Step 3: Your Offer is Accepted**

- ☐ Make sure your Loan Originator has your real estate contract.
- ☐ If you have an inspection contingency, hire an inspector or contractor to examine the condition of the home you want to buy.
- ☐ It is recommended that you get a home inspection and if repairs are necessary, work with your real estate agent to negotiate with the seller about who will pay for them, or cancel the purchase agreement, if you've reserved the right to do so.
- ☐ Stay in touch with your loan originator while waiting for your loan approval. Have your records handy during this time.
- ☐ Avoid making any major changes to your income or financial status; don't open any new lines of credit.

**Step 4: Prior to Closing**

- ☐ Request to view closing documents before closing.
- ☐ Get a copy of the Closing Disclosure from the closer before closing. The Closing Disclosure lists all closing costs.

**Step 5: The Closing**

- ☐ Choose and pay for homeowner's insurance for one year.
- ☐ Inspect the property just prior to closing.
- ☐ Sign a promissory note stating that you'll pay back the mortgage loan with monthly payments at a certain interest rate.
- ☐ Pay the balance of your down payment and closing fees.
- ☐ Pre-pay taxes and insurance to your escrow account if the terms of your loan require this.

**Step 6: You're a Homeowner!**

- ☐ Finish packing.
- ☐ Put the utilities in your name.
- ☐ Move into your new home at the time you and the seller agreed upon and noted in the purchase agreement.
- ☐ File for homestead tax status in the county of your new home.



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# First time Homebuyers Closing Checklist

## Explanation of Closing Costs

**These fees may vary, depending on provider and market.**

- Appraisal Fee: Fee for the appraisal of your property's value. An appraisal is required for most loans.
- Credit Report: The lender orders credit reports on you and any co-borrowers to evaluate your credit history.
- Escrow funds: These may include homeowners insurance prepayments, tax prepayments, and private mortgage insurance.
- Plat Drawing/Survey: The lender or the title insurance company may require a plat drawing showing the location of the home and the lot line, as well as any easements and rights of way.
- Private Mortgage Insurance (PMI): Insurance required on some conventional loans.
- Processing/Administration Fee: Three different fees that may be grouped together or listed separately. Recording Fees: Fees passed on to the county by the lender or closing company to record the documents. Any fee charged to you beyond the amount quoted by the county recorder should be negotiable.
- Settlement or Closing Fee: Paid to the "settlement agent," "closing agent," or "closer" for conducting the closing.
- Tax Service Fees: Some lenders charge to verify that you pay your taxes with the county. The county does not charge for the service, so consider this fee negotiable.

## Ready to Close on Your Home?

### Use this checklist to make sure everything is completed.

**What needs to happen before the closing?**

☐ Purchase agreement signed and accepted by seller.
☐ All contingencies met.
☐ Mortgage loan approved.
☐ Home appraisal completed.
☐ Title search done.
☐ Wire transfer for closing costs, down payment, and escrow funds.

**What should you bring to the closing?**

☐ A photo ID.

**What will you sign?**

☐ A promissory note that states you'll make monthly mortgage payments on a loan amount at a certain interest rate for a specified time period.
☐ The deed that establishes the property as collateral for the loan.

**What does the seller give to you?**

☐ Any documents specified by your purchase agreement.
☐ Keys, garage door opener, etc.



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# *First time* **Homebuyers** Glossary

**Amortization:** the action or process of paying off your mortgage. Amortization tables show you how much of your monthly payment will go towards interest, and how much will go toward the principal, or the original amount of your loan. The longer you own the house, the more money goes to the principal. Additional payments toward your principal can reduce the amount of interest you pay and shorten amortization.

**Appraisal:** an unbiased, third-party opinion of the home's value. This determines the maximum amount of your mortgage, because a lender will typically not go beyond the value of the home. Appraisals must be completed by individuals who are licensed or overseen in training by the Texas Appraiser Licensing & Certification Board (TALCB).

**ARM Mortgage:** An adjustable-rate mortgage, or variable-rate mortgage, has an interest rate that can change over the lifetime of the loan. When you have this type of loan, the interest rate will be fixed for a certain number of years in the beginning, after which the interest rate will change yearly or monthly.

**Closing:** The final step to own your home. At the closing, you'll meet with the title company, sign any legal documents, and pay all closing costs. Closing can take 1-3 hours.

**Closing costs:** The amount due when you sign the final papers and get the title transferred into your name. Closing costs are generally 3-6% of the mortgage cost. They can include attorney's fees, loan application fees, loan underwriting and origination fees, home appraisal, homeowners insurance (for the first year), credit report fees, mortgage points, and title fees.

**Closing disclosure statement:** Approximately three days before closing, your lender will send you a statement with the exact amount of your closing costs.

**Condominium:** A building or property that consists of several units that are each separately owned; the building includes common areas that are jointly owned. Condos are more frequently structured as individual apartments, but there are also "detached condos", which look like single-family homes. In this situation, the common areas include yards, pathways, building exteriors, streets, and any amenities (pools, tennis courts, etc). Condominiums typically have an HOA, and most have a management company that manages common areas and collects HOA fees.

**Conforming loan:** In order to be considered "conforming", a loan must meet specific guidelines set by the Federal Housing Finance Agency (FHFA), including requirements for eligibility, pricing, and features. The interest rate may be lower than on a nonconforming loan.

**Conventional loan:** A mortgage that is not backed by the government. Loans without federal backing are typically considered riskier by lenders, so the qualification requirements may be more rigorous.

**Credit report:** There are three credit bureaus (TransUnion, Experian, and Equifax), and each of them provide credit reports. This report details your credit score, your credit history, any outstanding loans and their status, and any negative marks on your credit. You may obtain a free credit report from any of these agencies once a year. It's important to check them at least annually—34% of Americans have an error on their report!

**Debt-to-income ratio:** Also known as the back-end ratio. This indicates how much of your income goes towards paying debts each month. Total debts include your mortgage payment (including taxes, insurance, and interest) and any other debt, such as auto loan payments, student loan payments, credit card payments, and child support. To calculate your debt-to-income ratio, take your total monthly debt payments, and divide it by your monthly income. So if your total monthly debt payments are $3,000 and your monthly income is $6,000, your debt-to-income ratio is 50%.

**Down payment:** This is the amount of money you put toward your loan. You may have heard that you need 20% for a down payment, but this is a common misconception. There are loans that only require down payments as low as 0-3%. It's important to talk with your lender about your options for a down payment.

**Earnest Money:** Also known as an earnest deposit, earnest money is what you put down with an offer to signal your sincere interest in the house. The amount can range from 1% of the home's value to over $20,000, depending on circumstances. If you proceed with the home purchase, the earnest money counts toward your total down payment. There are a number of situations which can lead to your earnest money being refunded or paid to the seller.

**Equity:** This is the value of your interest in the property. As you pay off the principal balance or the price of your home appreciates, equity increases. This is calculated by taking the fair market value of your home and subtracting the amount of principal you still owe on the house. Because the amortization schedule of fixed-rate and adjustable-rate mortgages are different, homeowners can have a different amount of equity built up in their house at a given point.

**Fannie Mae and Freddie Mac:** These are federally backed mortgage companies that were created by Congress to boost U.S. homeownership. Fannie's official name is the Federal National Mortgage Association (FNMA), created in 1938. Freddie's official name is the Federal Home Loan Mortgage Corporation (FHLMC), created in 1970. These companies don't lend directly, but they do buy mortgages from lenders, keeping them on their own books or bundling and selling them as mortgage-backed securities. Because they are federally backed, they are required to only purchase conforming loans.

**FHA Loan:** These loans are insured by the Federal Housing Administration. FHA loans often come with lower down payment requirements and low closing costs. Lower credit scores may qualify if you make a larger down payment, depending on the lender.

**Fixed-Rate Mortgage:** Unlike an ARM mortgage, this loan has a fixed interest rate, meaning it stays the same for the life of the loan. If after a few years you find a lower rate, you can refinance to change your interest rate (this involves paying closing costs again, because it is a new mortgage). If you originally had an ARM mortgage, you can also refinance to a fixed-rate mortgage. Remember, with mortgages and other types of loans, interest compounds, meaning that you'll end up paying more than just X% on the total loan amount.

# First time Homebuyers Glossary

**Gross monthly income:** This is your monthly income before any deductions or taxes are taken out. The quickest way to estimate your gross monthly income is to divide your annual salary by 12. If you work on an hourly basis, you can calculate your annual salary by multiplying your hourly wage by how many hours you work per week. Multiply this number by 52 to determine how much you make in one year.

**Homeowners Association Dues:** These are monthly fees charged and collected by a homeowners association (HOA). These monthly fees are used to pay for amenities, property maintenance, and repairs, and can vary significantly depending on the overall community and services provided. Most purchased condominiums, apartments, and planned communities have an HOA, and some neighborhoods with single-family homes may also have an HOA. When you purchase a home, it's important to understand any potential HOA fees that come with the property.

**Homeowners insurance:** This is a type of property insurance that covers losses and damages to your home, including furnishings and other assets within the home. It also provides liability coverage for accidents in the home or on the property. Homeowners insurance does not cover all types of damage—for instance, most policies won't cover flooding (flood insurance is available to purchase separately). When you shop for homeowners insurance, make sure you understand exactly what your policy would cover and any additional policies you may need.

**Interest rate:** Sometimes referred to as the loan rate, the interest is what a lender charges you in exchange for being able to borrow their money. It's calculated as a percentage of your total loan amount and added to the loan's principal balance. Your interest rate is determined by the lender and can depend on several factors, including your credit score, home location, home price, loan type, and more.

**Jumbo loan:** These mortgages are needed when the value of the home exceeds limits set by the Federal Housing Finance Agency (FHFA). In 2021, the FHFA set the maximum conforming loan amount at $548,250, meaning that anything above that is considered a jumbo loan. The loan maximum can vary by county, so be sure to look up your local regulations. The criteria for a jumbo mortgage are much higher than conforming loans since there's more on the line for banks. Expect to see credit score requirements greater than 700.

**Loan amount:** The loan amount is simply how much you are borrowing. This is not the same as the house's purchase price— it's just the money that the bank lends you. Your loan amount may include closing costs, if you and your lender decide it's the right choice for you.

**Loan term:** The loan term is the length of your home mortgage. Mortgages are typically repaid over a 30-year, 20-year, or 15-year period.

**Nonconforming loan:** Unlike a conforming loan, this type of loan does not adhere to FHFA guidelines, so it cannot be bought by federally backed companies like Fannie Mae or Freddie Mac. These loans typically have higher interest rates than conforming loans.

**Option Fee:** Unique to Texas, the sale contract on a home gives a potential buyer the right to terminate the contract by paying an "option fee" and informing the seller of the termination within a certain number of days after the effective date of the negotiated contract. The amount of the option fee is negotiable, paid to the seller, and generally between $250-$500. The number of days given to terminate is also negotiable. Option fees are refundable at closing.

**PITI:** This acronym stands for principal, interest, taxes, and insurance. All of these add up to your mortgage payment.

**Planned Unit Development (PUD):** A collection of homes intentionally developed and planned as a community. The neighborhood could have single-family homes, townhomes, or condos, can include amenities like tennis courts or golf courses, and can include both residential and commercial units. PUDs are typically regulated by an HOA or another kind of community board, and there are monthly fees paid by each property owner. For your budget's sake, it's important to find out what these monthly fees are and what they cover. If you're looking at a single-family property and it's listed as a condominium, it's most likely in a PUD.

**Preapproval:** A lender has reviewed your credit history, income, and other factors, and has also submitted your documents for an informal underwriting preapproval. You will have a letter that states your preapproval and the amount that you are preapproved for, barring any unforeseen circumstances that would disqualify you from the stated loan amount.

**Prequalification:** A lender has reviewed your credit history, income, and other factors and prequalifies you for a certain amount. This amount has not been confirmed by the underwriting process, and is subject to change.

**Principal:** All mortgage payments are made of at least two main components: principal and interest. The principal is the amount that you borrow from the bank when you take out your loan. This means that your initial principal balance will equal your loan amount. As you pay off your mortgage, your principal balance will decrease. Keep in mind that with most traditional mortgages, your first payments will consist mainly of interest. As you continue to pay off your loan, more of your monthly payment will go towards your principal balance. This is depicted in an amortization table.

**Private Mortgage Insurance (PMI):** This type of mortgage insurance is most often required when a home buyer makes a down payment of less than 20% of the home's purchase price. It's designed to help a lender recoup their losses if the borrower falls behind on payments and defaults.

**Property taxes:** Property tax is an ad valorem tax, meaning that it is based upon an item's assessed value. This means that the amount you pay in property taxes is directly related to your property's value and is calculated as a percentage. In the United States, taxes are determined on the local level by counties, school districts, cities, and special districts.

**Title search:** The title company will do a thorough search on the title of the home, making sure there are no secondary liens (debts) on the house that need to be disclosed. The title search also confirms that the seller of the house is legally the owner, and therefore allowed to sell the house.

**Title insurance:** This is insurance that you can purchase at the final signing. It protects you and the lender from damages resulting in title mistakes, like someone else claiming ownership, unpaid taxes, or hidden debts against the home. If there is a title mistake and another owner steps forward to claim the property, this insurance can protect you from financial loss. The seller can also purchase title insurance.

**Underwriting:** After you apply for a mortgage, the lender will verify your income, assets, debt, credit history, property details, and other information to make sure you're eligible for the loan.

**VA Loan:** The loans are guaranteed by the U.S. Department of Veterans Affairs and are available to qualifying service members and their spouses.