



Mortgage Guide

UNITED HOME LOANS NMLS# 207546

Welcome!

On behalf of United Home Loans, I want to thank you for choosing us to meet your financing needs. United Home Loans is a full-service mortgage banking firm that has been in business since 2002.

Our mission is to help people realize the power of having the right mortgage for their financial goals. We do this by providing honest consultation, a transparent process and expert loan advice to each client for life.

Your partnership is the key to a smooth and successful mortgage approval and closing. We have enclosed some important information within this guide. Please take some time to review the guide and feel free to reach out with any questions.

We look forward to partnering with you in an enjoyable and successful mortgage experience.



A stylized, handwritten signature in white ink, appearing to read 'MD' followed by a flourish.

Mike Dulla

President

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TABLE OF CONTENTS

INTRO

LETTER FROM OUR PRESIDENT

Thank you

1

DO'S & DON'TS

Do's and Don'ts of applying for a mortgage

2

THE LOAN PROCESS

9.5 steps to obtaining your home loan

4

TO-DO LIST

Documents for you to gather for your pre-approval and application

6

WHO DOES WHAT?

Realtor, Lender, Attorney, Home Inspector - Who Does What?

7

BUYING A CONDO?

Read this page!

8

Need a Referral?

We've got you covered

9

FAQs

Have a few questions? We can help

13

Protect your credit and build your wealth

How to manage your mortgage after closing

Do's & Don'ts of Applying for a Mortgage



Do

- DO keep all records of financial activities readily available (paystubs, bank statements, etc.)
- DO let us know if you will be receiving a financial gift for this transaction
- DO pay all of your bills on time (by due date or earlier)
- DO check in with any questions, especially pertaining to new credit
- DO ask us prior to making large bank transfers from one account to another
- DO keep track on important dates such as lock expiration and mortgage contingency dates
- DO independently confirm title company wiring instructions before sending any wire proceeds



Don't

- DON'T take on any new debt or have additional inquiries on your credit report
- DON'T change your job without discussing the impact on your approval first
- DON'T make large deposits to your bank accounts that cannot be documented
- DON'T make any large purchases that could impact loan approval (car, boat, furniture, etc.)
- DON'T sign any new contracts to purchase new property
- DON'T change bank accounts or move money excessively from one account to another

The Loan Process

Your mortgage experience should be pleasant, quick, and as simple as possible. To assist with that, we want to make sure you have an understanding of what to expect during and after your loan process.

1 Pre-Approval Consultation

Don't go home shopping without one. Pre-approvals give realtors and sellers confidence that you're a qualified buyer. At pre-approval, your credit and income documents will be reviewed and if acceptable, a pre-approval letter will be issued.

2 Find a Home

Let the fun begin. A good realtor will help you find the perfect home in your price range. We can even match you with a realtor in your desired neighborhood.

3 Make an Offer

Your real estate agent will guide you through the steps to make your first offer. You can even request a seller-paid credit toward closing costs. Once both the buyer and seller agree on the price and other terms, the Real Estate Contract will be executed by all parties.

4 Official Loan Application

Now, with a specific property, you make official loan application. The application document and required disclosures such as your Loan Estimate will be sent to you for review and e-signatures. Updated supporting financial documents will be requested at this time.

5 Title Insurance

For a purchase, the seller's attorney usually orders the title work. On a refinance, the lender usually orders it. The title commitment reveals matters of public record, including property owners, mortgage loans and other liens which must be cleared to provide clear title and transfer of ownership.

6

Appraisal

An appraiser will be selected by the lender. It is very important to note that the appraiser is an independent party that is not influenced by any party to the transaction. The appraiser is there to protect both the lender and buyer from lending on a home that is worth less than the sales price. Usually, the borrower tells the lender when it is OK to order the appraisal once all negotiation is complete.

7

Loan Commitment

Your credit report, loan documents, supporting financial documents and appraisal will be submitted to underwriting for official approval. Once all conditions are cleared, your approval is said to be “clear to close”. This is the loan commitment you need to satisfy your mortgage contingency (if buying a home).

8

Time to Close

The attorneys will coordinate a closing time at a title company that will work for everyone. You will review your Closing Disclosure, conduct a final walk-through, wire funds to the title company and sign loan documents. PLEASE review the section in the FAQ's about wires - very important. But don't worry, UHL will help you every step of the way.

Bring a valid government issued ID to closing (drivers license, state ID, etc.). If a wire is required (\$50,000 cash to close or higher), you will need to obtain wiring instructions from the title company directly. This is for your own safety and to ensure there is no wire fraud. Cashier's checks are allowable for amounts less than \$50,000. Absolutely no Personal Checks.

9

Funding and Record of Closure

After the closing documents are signed, the lender will provide authorization to fund the transaction, releasing the mortgage proceeds. The entire closing and funding process usually takes approximately one and a half to two hours. The mortgage and deed are recorded post-closing and become part of the public record.



Welcome Home!

All parties will be notified of funding and recording. You'll officially be able to sit back and relax (and make your mortgage payment of course). When possible, always try to make additional principal payments. You will be amazed how much interest you will save over the life of your loan with an extra \$100, \$200 or \$300 per month.

To-Do List

Now that you know how the loan process works, listed below are a few documents for you to gather. This will get you going on a seamless path towards closing your purchase or refinance!

Start with a Pre-Approval:

Pre-approval is the first step in the homebuying process. It helps you figure out your budget, gain leverage to negotiate, and saves time when home shopping.

Are you a W-2 Employee? We require the “2s”...

2 consecutive pay stubs.

2 years of W-2s from all employers.

2 years of federal tax returns (all pages)

2 months of bank and investment statements to document funds for your down payment and closing costs.

Self-Employed?

(1099, Schedule C, S Corp, LLC, LLP, etc.)

In addition to the documents listed above, we will need:

2 years of business tax returns (if applicable)

Profit & loss statement and balance sheet.

Once your pre-approval is in hand, you can shop for your new home with confidence.

Once a contract is accepted, you will make an official mortgage application

An official application means the lender will send you the application, all required disclosures and a Loan Estimate. Usually, you will order an appraisal at the time of application or shortly thereafter.

The list below identifies most/all documents needed for official application. Some of these documents may have already been provided for pre-approval.

2 consecutive pay stubs

2 years of W-2s from all employers

2 years of federal tax returns
(all pages)

2 years of business tax returns
(if self-employed)

Profit & loss statement and balance sheet
(if self-employed)

2 months of bank and investment statements to document funds for your down payment and closing costs

Signed real estate contract
(executed by both seller and buyer)

Copies of all earnest money checks

Bank statements (all pages) on which the earnest money checks cleared; be prepared to document large deposits

Government issued photo ID
(drivers license, state ID, etc.)

Mortgage, insurance and HOA statements for all properties owned

Name and phone number of your insurance agent for subject property

Executed copy of divorce decree
(if applicable)

Bankruptcy petition and discharge papers
(if applicable)

Certificate of Eligibility and DD-214
(for VA loans)

Credit card processing form for your application deposit

We will send you a link where you can securely upload these documents



Realtor, Lender, Attorney, Home Inspector, Appraiser, Title Company – Who Does What?

There are a lot of people involved when trying to get your loan from start to finish. If this is a purchase transaction, you will have a real estate agent, home inspector, appraiser, attorney and title company all involved in your purchase (and of course UHL). If this is a refinance, there will normally just be a title company, appraiser and UHL facilitating it all. Here is a quick rundown of just some of the different responsibilities for each party.

Realtor – Your Realtor will help consult as you conduct your home search, write up the initial offer and consequent counter offers if necessary, and introduce you to a host of related professionals – home inspector, attorney, insurance agent, etc. They will also facilitate the transfer of earnest money from you to the seller.

Lender – Well, you know what we do since it is all in this guide.

Home Inspector – Different than an appraiser, a home inspector provides an objective examination of the structure and systems of a house. The inspection report will review the heating system, air conditioning system, interior plumbing and electrical systems, roof, attic and visible insulation, walls, ceilings, floors, windows and doors, foundation, basement and structural components. Once complete, you and your Realtor may request that repairs are completed or that a credit is provided in lieu of repairs. Always ask your lender about credits as they usually must be limited to closing cost credits.

Appraiser – The appraiser is an independent party that is not influenced by any other party to the transaction. The appraiser determines the market value of the home, according to strict guidelines (USPAP). The appraiser is there to protect both the lender and buyer from closing on a home that is worth less than the sales price.

Title Company – Will act as the closing agent and as escrow for both purchase and refinance transactions. They will facilitate the actual closing, insure title is properly transferred from the seller to the buyer, and act as escrow - collecting all funds from relevant parties and disbursing in the proper direction at closing.

Attorney – The Attorney is your go-to for all questions regarding the contract and legal questions. The Attorney will protect all important dates in the contract such as the mortgage contingency and closing date, negotiate tax proration, credits and any changes to the contract.

Buying a Condo?

Read This Page

Condos differ from single family homes because they are attached and part of an association. In single family home transactions, the borrower and property are underwritten and an approval is issued. However, for a condominium, a separate underwriting approval is done on the homeowner's association and the financial health of the condo building. The condo approval process contains a few items for each transaction:

Condo Questionnaire – this is a lender specific document that can contain more than forty pertinent questions about the condo/association (HOA). This form is filled out by the HOA or by the management company. Often there is a charge of up to \$300 by the entity filling out the questionnaire. This is probably the most important condo approval document and can make or break the approval. Here is a quick list of some important questions you can use up front to vet a condo building:

- How many total units? How many owner-occupied? How many investments?
- Does any single entity own more than 10% of the building (does anyone own more than two units in a smaller building)?
- Is there commercial space in the building? What percent of the building square footage does it take up?
- Any pending litigation with the building?
- How many homeowners are more than 60 days delinquent on their HOA dues?
- How much is in the budgeted reserve account?

Condo Budget – an equally important document for the approval process and extremely important to the individual buyer to gauge the health of an association. Ideally, a budget is always perfectly balanced. Assessments/income for the HOA are structured annually to completely cover all expenses and allocate for another 10% or more to funnel into a reserve account. The 10% annual reserve allocation is vital to condo approval.

Condo Declarations/Bylaws – the governing documentation for the condo. These were created when the condo building was built and more than likely amended as the HOA took over control. This document will spell out ownership percentages, how common areas are split up and any special information regarding the collective ownership of the building.

Do you need a referral?

Please let us know if you need a referral for any of the following professionals.

Real estate agent

Attorney

Home inspector

Insurance agent

Financial advisor

Accountant

General contractor

Painter

Electrician

Plumber





Frequently Asked Questions

You know, those pesky little questions that will impact your finances or may prevent your loan from closing...
...no seriously, you should read this section!

Frequently Asked Questions

(regarding payments, fees, PMI and points)

What will my mortgage payments include?

For most borrowers, each monthly mortgage payment will include Principal (amount to reduce the total outstanding balance of the loan), Interest (the cost of borrowing money), Taxes and all Insurance (hazard, PMI, flood, etc.). Taxes and insurance are usually escrowed, which means the lender will pay for those obligations as they become due in the future. This total payment is often referred to as PITI.

What closing costs will I have to pay?

Closing costs vary based on a number of factors such as transaction type, individual lender costs, purchase amount and location. Closing costs usually contain lender fees (appraisal fee, credit report fee, origination and discount points), third party fees such as the title company settlement fee, title insurance, and attorney fees and prepaid items (interest, hazard insurance, and deposits to set up an escrow account). You should always ask for an official Loan Estimate before signing your loan application.

What is the minimum down payment I need to buy a home?

Many first-time buyers believe they need as much as 20% of a home's purchase price in cash. That may have been true in the past, but now mortgage loans are readily available with as little as 3% down. With housing prices as high as they are, homeownership would be impossible for many people without low down payment options. United Home Loans has a number of loan options that can help you buy a home with a minimal cash investment.

Will I have to pay Mortgage Insurance (PMI)?

Private Mortgage Insurance (PMI) provides your lender with a way to recoup some of its investment if you are unable to repay your loan. PMI is usually required when the down payment is less than 20%, you will probably have to pay for PMI. There are numerous programs available with low cost, cancellable PMI options and even PMI buyout options.

Should I lock my interest rate?

Locking your interest rate means your mortgage rate is guaranteed even if market rates change before closing. Most lenders allow you to lock a rate for 30 to 60 days, with the option to extend the rate-lock period for a fee. How do you know whether or not to lock your interest rate? It depends on if you expect rates to rise or fall before you close on your home. No one knows for sure which direction rates will go at a given time, so it's difficult to make a reliable prediction. But if you are comfortable with the rate and payment at the time of application, locking your rate eliminates the risk of rates going up.

Should I pay discount points?

Watch out for lenders that charge points but don't discuss them upfront. Discount points are interest prepaid to your lender at closing in exchange for a lower interest rate on your mortgage. Each discount point is equal to 1% of the loan amount, and is often called "buying down" your rate when you pay a point. In some cases, paying points may make sense but most of our borrowers select a -0- point rate.

Frequently Asked Questions

(regarding application, approval and other stuff)

Why do I have to provide copies of my bank and investment statements?

The underwriting process requires lenders to confirm that you have sufficient funds for your down payment and closing costs (total cash to close) plus some months of mortgage payments in reserve. All underwriting guidelines require that those funds have been seasoned for 60 days (i.e. in your account for that long) and are acceptable funds. Additional non-seasoned funds can be used but must be from an acceptable source such as a bonus, transfer from another seasoned account, gift, etc.

Why do non-payroll deposits have to be explained and documented?

Guidelines prohibit the use of borrowed funds (except secured borrowed funds) and funds from an interested party to the transaction unless it is an acceptable credit detailed on the real estate contract. Deposits to your account that are clearly not payroll deposits must be documented to ensure they are acceptable funds from a lending perspective.

Is homeowners insurance (hazard insurance) necessary?

Yes, we will require proof of homeowners insurance prior to closing. You should secure this policy at least two weeks prior to closing. Most borrowers also escrow their insurance as part of their mortgage payment so the lender renews the insurance annually (the borrower always pays the premium for the first year prior to closing). Let us know if you need a referral for a good insurance agent.

Wire fraud – be very careful when wiring money to closing

This is what we tell clients - “BE AWARE! Our company does not send wire instructions. All wire instructions must be obtained directly from the title company. Computer criminals can intercept emails containing wire instructions and substitute fraudulent instructions. Funds are non-recoverable. You and your bank should always obtain verbal confirmation of wire instructions directly from the title company before sending any wires. You should obtain the title company’s phone number independently as well (Google search, etc.). Always confirm any written or emailed wire instructions verbally before sending the wire.” Scary but very important to know.

Will my personal information be sold?

We do not sell your information. Often after closing your mortgage, a series of solicitations will occur. This can cause concern about what happened to your personal information. After closing, your Deed is recorded with the county. This recording is public information and as such, is available for all to see. Companies collect this information and sell it to other companies that have services to offer related to your transaction. Such services may include life insurance, alarm systems, mortgage payment plans and various maintenance services.

If you receive any solicitations, be assured that your information has not and will not be sold or distributed by United Home Loans. Should someone ask for a confirmation of your social security number, bank account, or other non-public information, this is most likely a scam. When in doubt, always reach out to United Home Loans with questions.

Frequently Asked Questions – Glossary

Appraisal - An unbiased estimate of the market value of what a building or home is worth.

Borrower - The person(s) that is obtaining a mortgage to purchase property. Entities are not able to obtain a mortgage.

Closing - Final exchange in the loan process, where the Title is delivered to the Borrower/Buyer, Title Insurance policy is obtained, and any agreed-upon costs are paid. (Also see Escrow)

Closing Disclosure (CD) - Physical document that includes important terms and closing costs for your loan. The first page looks like your Loan Estimate (LE), however the following pages provide thorough closing cost details.

Deed - Legal documents that transfer property ownership from one person to another.

Earnest Money - Funds from the borrower, presented with an offer, are placed in a trust account. Once a Seller accepts your offer the Earnest Money funds will go towards your total required money to close your transaction. It may become nonrefundable under certain conditions.

Escrow/Settlement Provider - Is not a person place or thing; it is the deposit of something of value with a third-party entity until delivery to the final party after a condition has been met. For the purposes of obtaining a mortgage, the role of the escrow company is to facilitate handling of all monies of the transaction, any transfers, liens, assessments, and protection of all parties in the transaction.

Funding - The act of wiring money from the mortgage lender to Escrow or title company.

Loan Estimate (LE) - Physical document that shares the important information about the loan you are requesting. This includes estimated interest rate, monthly payment, and total monies required or given to borrowers. (Through TRID, this replaces the Good Faith Estimate and Truth-in-Lending Statement)

Lien - A claim against property that is recorded with the County Recorder for payment of a debt or amount owed for services rendered. (This shows up on the title insurance preliminary report which must be reviewed and underwritten to clear these liens off of title to ensure lender lien position) Unrecorded liens may or may not affect title.

Notice of Incomplete (NOI) Application - A letter from the lender to the borrower requesting pertinent documents from borrowers to enable the lender to proceed with the Pre-Approval.

Title - Legal way of saying you have ownership of the property, but it is so much more. It also shows history of ownership, outstanding liens, judgements; anything “hindering” the property for full ownership to the owner and/or purchaser.

Title Insurance - Insurance to protect against financial loss based on liens of record that prevent clear or marketable title. There are two halves to Title Insurance in a purchase transaction. Owners Title Insurance is paid for by the seller, Lenders insurance is paid for by the borrower/buyer. Owner’s Title Insurance protects the interests of the Buyer/Borrower. Lender’s Insurance protects the interests of the lender, insuring the lender’s lien position.

TILA-RESPA Integrated Disclosures (TRID) - TRID, along with it’s corresponding disclosures were enacted October 3, 2015. Change of forms include the Loan Estimate (LE), which replaced the Truth-in-Lending disclosure and Good Faith Estimate and the Closing Disclosure (CD), which is a new document designed to show the Borrower the closing costs required at the closing table. After acknowledgement of the CD the borrower has three business days¹ to review and request adjustment and/or corrections with the lender prior to closing. The ALTA Settlement Statement replaced the HUD-1 Settlement Statement for most mortgages. ¹ Business days do not include Sundays or Federal Holidays.

Read this page. Protect your credit and build your wealth.

Managing your mortgage after closing is just as important as managing it prior to closing, maybe even more important as it can dramatically impact your credit profile and overall financial health.

Let's start with the basics.

- ✓ **Always pay your mortgage on time.** Even though you usually have a 15-day grace period, pay by the due date. Technically, the payment is considered late even if received one day after the due date.
- ✓ **But you should have 15 a day grace period.** If you need it, you can take advantage of it. Paying after the due date and during the grace period should be viewed as the exception and not the norm.
- ✓ **Always enroll in auto-pay, if possible.** Auto-pay takes the guess work out. If you can, take advantage of this offer. But remember to check your bank account to make sure payments were made.
- ✓ **Communicate with your mortgage servicer.** If you experience extreme financial difficulty, reach out to your servicer and communicate. It is always better to keep them in the loop if payments will be late.

Beyond the basics.

- ✓ **Always pay extra, when possible.** You will be amazed how much interest you will save. On a \$250,000 loan at a rate of 5%, an extra \$250 per month will save you over \$76,000 in interest over the life of your loan and pay off your mortgage 8.7 years sooner.
- ✓ **Pay attention to the rate on your mortgage.** Saving as little as .5%, or even .25%, can have a large impact on your monthly mortgage payments and lifetime interest savings. Always pay attention to current rates and reach out to UHL with questions.
- ✓ **And the rate on other debts.** Often times borrowers ignore the rates they are paying on other debts like car and student loans. Sometimes a cash out refinance will help you save thousands in interest by consolidating those debts in your mortgage loan.
- ✓ **College planning or other investment opportunities.** On occasion, a cash out refinance may be a good way to pay for college expense or another investment. But always check with your lender, financial advisor and tax professional prior to making this decision.

By managing your mortgage intelligently, you will be able to maintain a great credit history and build wealth at a faster pace. Always reach out to UHL with questions or any mortgage related advice.



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