

# THE HOMEBUYING PROCESS



NMLS 66247





# PATH THAT LEADS YOU HOME

## 1 Loan Officer Consultation

*Application & Pre-Approval*

Gather your financial information to get pre-qualified. Getting pre-qualified can happen in as short as a couple hours. Review and sign your loan estimate.



## 2 Home Search



Take some home tours and remember to ask plenty of questions. Take notes and have fun!

## 3 Negotiation & Contract

*Make an Offer*

Did you find your dream home? Congrats! There will be a ton of paperwork to complete but it will be worth it.



## 6 Closing Disclosure

The closing disclosure must be signed by the borrower(s) 3 DAYS BEFORE signing your loan documents.



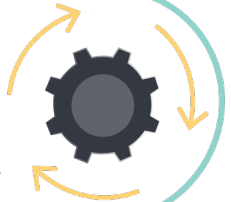
## 5 Underwriting

The underwriter will review every aspect of the loan transaction and will grant you loan approval.



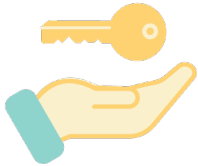
## 4 Processing

Our team will prepare your paperwork and transaction to move it forward to underwriting.



## 7 Closing Time!

Your Loan Officer will continue to keep you updated. The numbers will be confirmed and your new home will be ready for you!



## 8 Signing Day

The official transfer of ownership and funds will happen today! Congrats!



## 9 Funding Day

Your signed loan documents will be reviewed by our closing team to fund and close your loan. This often takes 48-72 hours after your closing date.



## 10 Moving Day

*Congratulations!*

Your dream home is yours! Make it your own and enjoy!



# Documentation Checklist

You will be notified of the specific documents you will need to provide. These are required to approve and underwrite your loan and can vary depending on program, down payment, credit score, and job type. It is important to include all pages of the documents provided ***EVEN IF A PAGE IS BLANK.*** You may be required to update documents originally provided before closing. Do not deposit any money that you cannot document where it is received from.

## *Items to gather for the Loan Application*

- ☐ Latest 2 Paycheck Stubs
- ☐ Last 2 Years W2's and/or 1099's, and Full Tax Returns (all pages)
- ☐ If Self-employed; Last 2 Years Full Business Returns (all schedules)
- ☐ Recent 2 Months Bank Statements (all accounts)
- ☐ Mortgage Statement and Lease Info on Other Real Estate Owned
- ☐ Driver's License or Other Forms of ID



# Documentation Checklist



- Retirement Statements
- Judicial decree for any obligations due to legal action
  - (Ex. Child support)
- Complete bankruptcy discharge papers
- Letters of Explanation
  - Credit Inquiries, Late Payments, Collections, etc.
- Documentation for any large deposits outside of payroll or gift funds (typically \$200 or more)
- Verification of 3<sup>rd</sup> party paying student loans = 6 MO of Bank Statements
- Verification of 3<sup>rd</sup> party paying auto loan payments = 6 MO of Bank Statements
- Gift Funds subject to verification of source and destination w/ full 30 day transaction history from accounts, full 30 day transition history, signed gift letter
- Contact Information for employer, Real Estate agents, accountants, attorney, HOI agent, Property Management Company, Landlord, etc.

*\*Other forms of documentation that MIGHT be requested depending on certain needs of your loan program.*



# The Basics

## What is a mortgage?

- A Mortgage is a loan secured by real estate. You borrow money to buy a home and promise to pay it back over a specified period, for a specified cost. Repayment typically happens through monthly or semi-monthly mortgage payments. If you should stop paying your mortgage, the lender may take ownership of property.

## What does my mortgage payment include?

- Your mortgage payment is typically made up of four parts: principal, interest, taxes and insurance. If you make less than a 20% down payment, your mortgage payment may also include mortgage insurance that is paid to the agency providing the insurance. Each month your payment will include a portion of your property taxes and homeowners insurance that will be placed in an escrow account. Your lender will pay those third party fees from the escrow account as they come due.

## What does amortization mean?

- With each mortgage payment that is made, a portion of the payment is applied toward reducing the principal and the other portion is applied toward the interest on the loan. In the early stages of your mortgage term, the payment is mostly interest and a small portion pays down the principal. A smaller portion of your payment each year goes to interest and more toward principal until your loan is repaid.



# The Basics

## What is Homeowners Insurance?

- This protects you in the event of loss that is the result of fire, wind, natural disaster or other hazards. You are required to have insurance on your property at all times.

## What is mortgage insurance?

- Mortgage Insurance (MI) is required on certain loans to protect the lender against financial losses if the borrower fails to repay the loan.
- FHA-insured loans have upfront mortgage insurance added to the loan amount along with a monthly MI which is paid regardless of how much your down payment is.
- VA loans- require a funding fee paid directly to the VA but do not require monthly MI.
- Conventional Loans- will have mortgage insurance (MI) if your down payment is less than 20% of the home's purchase price.



# The Basics

## What are closing costs?

- The cost of buying a home is more than just the purchase price. Every home buying transaction requires the services of professionals from a variety of fields. It is common for these costs to add up to several thousands of dollars and/or approximately 3-5% of your total mortgage. You will get a better idea of the amount soon after you apply for a mortgage, when you receive a loan estimate that details the approximate costs you will pay on or before your loan closes. In some cases the closing costs can be added to your loan, or your agent can negotiate for the seller to pay a portion. You may also be able to qualify for down payment assistance.

## How will I know how much I can borrow to buy a home?

- Your Cardinal Financial Loan Originator will work with you to calculate the maximum amount you can borrow. There are several things needed from you to determine this amount. The lender will look at the 4 C's which are Capacity to pay (Income), Character (Credit History), Capital (Savings), and Collateral (Property).

## What will they look at in regards to income?

- Generally Lenders will need the past 2 years tax returns for self-employed and W2 wage earners. They will average the income for the past 2 years. If income is declining they will use the lower amount. If you received an increase in pay due to a promotion they may be able to use the new amount. Part-time or second jobs must also have a 2 year history to be used. Temporary disability, workers compensation or any income that will not continue for a minimum of three years cannot be used.



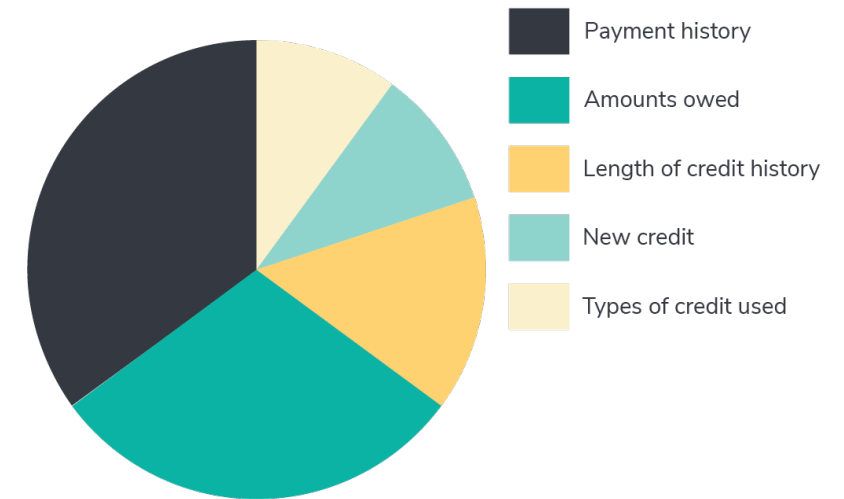


# The Basics

## What is a credit score?

- Your credit score could mean the difference between being denied or approved for a home loan, and a low or a high interest rate. There are 3 major credit bureaus; Equifax, Experian, and Transunion. Data from your credit score goes into 5 major categories to make up your credit score. For example even if you have paid your outstanding credit on time but every account you have is used to the maximum amount, your scores will be lower than someone who has high maximum credit but lower balances on each.
- *Note: Making purchases on a credit card or consumer loan before or during the home buying process may impact your ability to qualify. Please discuss any purchases with your Loan Originator prior to making them. The Lender can check your credit again throughout the process to see if any new accounts are opened or if your balances have increases.*

## Elements of Your Credit Score



# The Basics

## **Can someone give me the money for my down payment?**

- Some loan programs may allow you to use monetary gifts from family and friends as part of the down payment. You will be required to show written proof that the funds are truly a gift and not a personal loan along with documentation of their bank account withdrawal.

## **What if I have cash deposits showing on my bank account do they need to be verified?**

- Yes, generally all cash deposits must be verified regardless of whether you are using the money toward the down payment. For example: If you sell a car on Craigslist you must provide a bill of sale and trail of the funds received.



# The Basics

## Are there any other down payment sources I may use?

- Not-for-profit down payment assistance programs provide funds to qualified borrowers to help with down payment and closing costs. These agencies may require you to take a class first before you are eligible. Most require the amount to be paid back at the sale of the home or if you refinance, each program is different. Your Cardinal Financial Loan Originator can help you find out what programs are available in your area.

## How important is the Preapproval?

- A Preapproval is the important first step before you start looking for a home. If you are working with a real estate agent most will not submit an offer on the house until they have a written preapproval from the lender letting them know how much you are authorized to borrow.

*Now that you know the basics let us tell you a few things about what types of loans are available and a step-by-step list of what is going to happen during the process.*





# Your Home Buying Step-by-Step Checklist

## 1. Initial Consultation



- ✓ Speak with your Cardinal Financial Loan Originator about your home financing needs, goals and current situation to determine your next steps, information needed and what you may qualify for.
- ✓ Inquiry stage - you will provide information on your income, assets, liabilities and real estate owned.
- ✓ Consultation stage - in addition to the information needed for the above stage, you will also need to provide consent to pull your credit.
- ✓ Your Cardinal Financial Loan Originator will then share information on loan products based on your needs and credit profile.

# Your Home Buying Step-by-Step Checklist



## 2. Apply for a Pre-Approval

- ✓ Real Estate Professionals often require confirmation of your credit worthiness and your ability to purchase for a given price.
- ✓ Pre-approval takes pre-qualification a step further by reviewing your income and assets with the goal of approving you for a specific amount.
- ✓ When you are ready to apply for a preapproval you will need to provide all the requested documentation.
- ✓ Once you have the preapproval you are ready to shop for a home with confidence.

# Your Home Buying Step-by-Step Checklist

## 3. Provide All Requested Documents

- ✓ Refer to the checklist provided for a list of documents you may need to provide. Your Loan Originator, Loan Originator Assistant or Loan Processor will advise you of the specific documents required to underwrite and approve the loan.
- ✓ It is important to submit the required documents as quickly as possible to ensure a smooth process and on-time closing. All information must be accurate and submitted at least ten business days prior to closing.
- ✓ You can scan, fax and email the documents or deliver them in person and we can copy them for you.





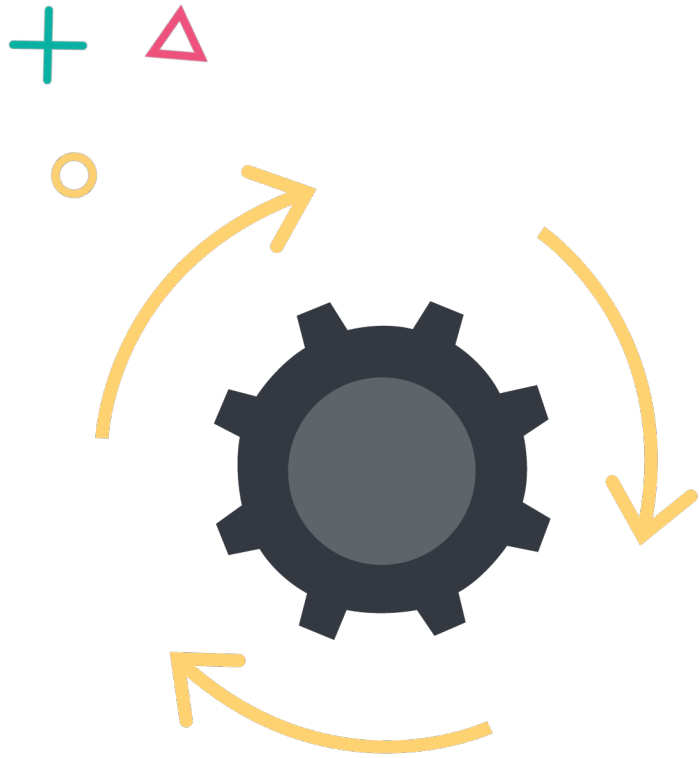
# Your Home Buying Step-by-Step Checklist



## 4. Find Your Home, Make an Offer, Sign the Purchase Contract

- ✓ This can be one of the most exciting steps of the process. You and your Real Estate Agent will visit numerous homes until you find the place you absolutely love.
- ✓ Your real estate agent will then draft up your purchase and sale agreement after you have discussed the offer.
- ✓ Many times the seller's agent will counteroffer your original offer which is where you and your Real Estate Agent will negotiate and either accept the terms or counter back until both parties agree on the terms.
- ✓ Once all parties have accepted you will be required to advance a "good faith deposit" also known as "earnest money" when you sign the contract. This payment will be considered part of your down payment and is usually deposited with the Title/Escrow Company.
- ✓ When determining the closing date on your offer, please consult with your Cardinal Financial Loan Originator.

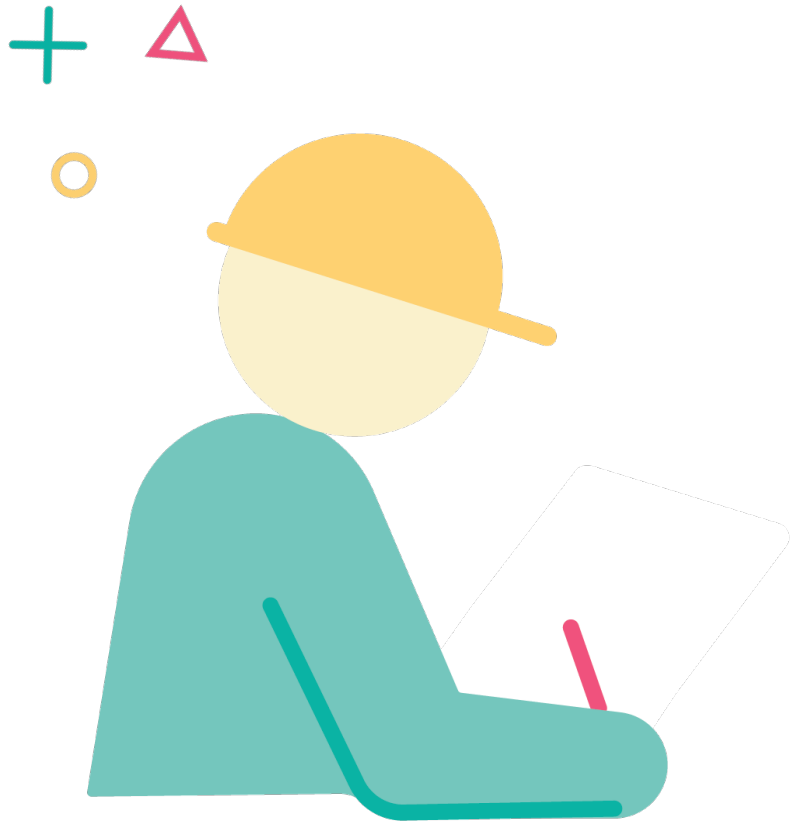
# Your Home Buying Step-by-Step Checklist



## 5. Initial Processing

- ✓ Once the offer has been accepted your Cardinal Financial Loan Originator and his/her Team will begin processing your file and prepare it to be submitted to underwriting.
- ✓ During this time we WILL request additional items such as signed loan disclosures and updated information like paystubs or bank statements.
- ✓ Once we receive the information from you it will take 2-3 days to receive the preliminary loan approval. This does not mean we are ready to close.
- ✓ Generally the interest rate will be locked at this Step – additional forms will need to be signed once this occurs.

# Your Home Buying Step-by-Step Checklist



## 6. Order a Home Inspection, Appraisal, and Title Search

- ✓ You will be required to pay up front for the Home inspection and the appraisal.
- ✓ The Real Estate Agent often will order the home inspection and will tell you what the cost will be.
- ✓ Estimated costs for the appraisal will usually be \$475 - \$600 depending on the size of the home, location and loan program.
- ✓ Cardinal Financial Employees do not speak directly with the appraisers but he/she will contact the Real Estate Agent to set up a time to come out and inspect the property
- ✓ Once the appraisal is completed it can take 3-5 business days for us to receive a copy, however, it is not required to submit the file for underwriting.



# Your Home Buying Step-by-Step Checklist



## 7. Underwriting – Conditional Approval/Final Approval

- ✓ The File will now be submitted to the Underwriter who is a different person from the Processing team. The approval will most likely come back with additional items needed.
- ✓ Once the remainders of the conditions are in it will take another 24-48 hours for the underwriter to check those items and then we will be clear to close on the loan.

# Your Home Buying Step-by-Step Checklist



## 8. A Closing Day is Set

- ✓ The Title or Escrow Company will call you and set up an appointment. This will be to come in and sign the final closing documents.
- ✓ You will be notified of the exact amount you will be required to bring to the closing – this can be paid in certified funds, wired funds, or a cashier check. Any other form of payment may result in a delay of funding the final transaction.
- ✓ They will go over all documents required to be signed – there will be many forms you will need to sign. You must sign your name the same way every time. If you sign your name differently this can cause a delay.

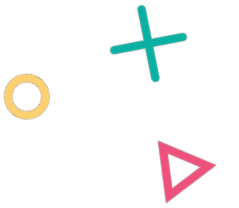
# Your Home Buying Step-by-Step Checklist



## 9. Finalizing the Transaction

- ✓ Once you sign the final loan documents the transaction will be completed and closed on the same day, or several days later, depending on varying circumstances. Your purchase is then recorded in the county records.
- ✓ **CONGRATULATIONS, YOU ARE NOW A HOMEOWNER!!** Your Real Estate Agent will schedule to get the keys to your new home the day we fund.

# Some Extra Notes



- ✓ As everyone's loan will differ from another, our goal is to create a story of your credit worthiness to purchase a home. With that said, please be patient if we ask you for additional documentation. We try our best to limit the times of collecting items to 2-3 times during the buying process but in some instances we may need to ask for items here and there.
- ✓ We will do whatever it takes to get you into your home within 30 days after the purchase contract has been signed and initial documents requested are in. This is a team effort, and we rely heavily on you getting us the documents in a timely fashion.
- ✓ Last but not least we are always here as a resource for you. We will keep you posted during every stage of the process but you may call us at any time a question arises whether it is big or small. There should be no questions unanswered, that includes anything after the transaction is completed.
- ✓ *It is just as exciting for us as it is for you to see you accomplish your goal of homeownership. We are very dedicated to making this happen for you. We are always on your side through the entire process.*





# How Do I Know What Type of Mortgage to Choose?

Loan Type	Features	Who May Benefit
Fixed rate mortgage - the interest rate stays the same for the life of the loan.	Predictable monthly payments.  Rate will remain the same over the entire term.	This type of loan is chosen when a buyer plans to remain in the home for a long period of time.
Adjustable Rate Mortgage (ARM) - the rate may go up or down on pre-determined dates reflecting current market condition	The initial interest rate is generally lower than that of a fixed rate. The initial interest rate is locked in for a fixed introductory period of time. There are different introductory periods of times to choose from (ex. 5yr, 7yr, 10 yr.) After the introductory period the rate can adjust every year.	This type of loan is chosen by a buyer who plans to refinance or sell the home in a few years or can make a larger monthly payment if the rate adjust upward. For example: maybe a spouse is in school and will be getting a job in a year or two, promotion etc.
FHA Loan - The Federal Housing Administration designed these Loans to meet the needs of low or moderate incomes	Low minimum down payment required.  Flexible qualifying guidelines.	This type of loan is often chosen by a buyer looking to put less money down.
Conventional Loans - Fannie Mae, Freddie Mac Conforming & Non Conforming	Low down payment with mortgage insurance on conforming loan limits.  No MI with at least 20% down. More strict qualifying guidelines.	This type of loan is often chosen by a buyer with more money to put down and lower debt to income ratios.
VA Loans - The Department of Veterans Affairs guarantees loans for qualified veteran	Gift funds can be used for all or a portion of the down payment and closing costs.  No down payment required	Available to active-duty or veteran military service members.  Un-remarried surviving spouses of veteran who died from service-connected injuries or un-remarried surviving spouse of a veteran who was totally disabled at the time of death may also qualify.
HomePath® - Fannie Mae REO properties	Low down payment, no mortgage insurance, no appraisal.	This type of loan is often chosen by a buyer wanting to purchase an REO property.
Down Payment Assistant Programs - funded by private and public partnerships, organizations either state, county or city sponsored, non-profit entities, etc.	Low down payment first mortgages or stand alone 2nd mortgages.  Income limitations.	This type of loan is often chosen by a buyer needing assistance with down payment and closing costs.

*There are many types of mortgages available. Your Cardinal Financial Loan Originator will help you understand your options so you can make an informed decision!*

# Affordability

## Debt-to-Income Ratio (DTI)

$$\frac{\text{SUM OF MONTHLY DEBTS}}{\text{GROSS MONTHLY INCOME}} \times 100 = \text{DTI}$$

The debt-to-income ratio is the percentage of your gross monthly income that goes to paying your monthly debt payments, like a home loan. Higher DTI ratios indicate greater risk. Lenders look for DTI of 43% and lower. A low DTI ratio indicates acceptable income for debt servicing and makes a borrower more attractive.

## What's my Price Range?

It's common to have a wide range when you first set out to buy a home. Many websites give viewers a sliding scale to aid in determining your purchase price range. It's important to only search for homes in your price range, matching your maximum monthly payment. Recognizing your price range before you start your search is key. If you cannot afford it, you should stay away from those homes. Review your income, debts, and savings beforehand to determine how much you could potentially put toward a down payment and/or monthly payments.





# Top 48 Things That Can **Stop a Mortgage** In Its Tracks!

1. Incomplete or inaccurate information on loan application.
2. Late payments.
3. Additional debt after loan application.
4. Lost job. Or lacks two year history.
5. Income verification lower than what was stated on application.
6. Overtime income not allowed by underwriter.
7. Applicant makes large purchase on credit before closing.
8. Illness, injury, divorce or other financial setback during escrow.
9. Lacks motivation.
10. Gift donor changes mind.
11. Cannot locate divorce decree or discharge of bankruptcy.





# Top 48 Things That Can **Stop a Mortgage** In Its Tracks!

## **Borrower (and/or Co-Borrower):**

12. Cannot locate tax returns or bank statements.
13. Unlocked interest rate increases. No longer qualifies.
14. Loan program changes with higher rates, points and fees.
15. Child support not disclosed on application.
16. Has Bankruptcy within two years.
17. Handwritten pay stubs.
18. Starts new job with probation period.
19. Switches from salary to commission.
20. Borrower/Co-Borrower/Seller passes away.
21. Can't find acceptable property in price range.
22. Cash is short or not properly documented.
23. Cashier check not provided to escrow at closing.





# Top 48 Things That Can **Stop a Mortgage** In Its Tracks!

## **Seller:**

- 24. Lacks motivation to sell or cannot find suitable replacement property.
- 25. Difficulty coordinating with appraiser and/or inspector or access to property.
- 26. Cannot clear up liens.
- 27. Did not own property 100% as previously disclosed.
- 28. Leaves town and does not give anyone Power of Attorney.
- 29. Does not complete repairs agreed to in contract.
- 30. Hidden or unknown defects with the property are subsequently discovered.
- 31. Home goes into foreclosure during escrow.

## **Real Estate Agent:**

- 32. Delays access to property for inspectors and/or appraisers.
- 33. Doesn't get needed documentation to Lender in timely manner.
- 34. Inexperienced in this type of transaction.

## **Property:**

- 35. County will not approve septic or well.
- 36. Home is destroyed prior to closing. Or not structurally sound or uninsurable for homeowner's insurance.
- 37. Incorrectly zoned.
- 38. Appraiser has difficulty finding comparable sales





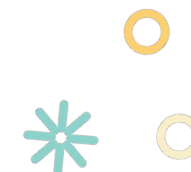
# Top 48 Things That Can **Stop a Mortgage** In Its Tracks!

## Appraiser/Inspector:

- 39. Is not local and misunderstands market.
- 40. Too busy and does not complete appraisal on schedule.
- 41. Is not on Lender's "approved list." Or Lender requires second or review appraisal.
- 42. Not available when needed.
- 43. Inspection reports alarm the buyer.  
Sale canceled.

## Escrow/Title:

- 44. Fails to notify Lender/agents of unsigned or unreturned documents.
- 45. Fails to obtain information from insurance, lienholders, lenders, etc. in timely manner.
- 46. Discovers liens or title problems last minute.
- 47. Misplaces or incorrectly prepares paperwork.
- 48. Principals leave town, don't sign paperwork.







# SUPER AGENT

Loan Originator

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# THANK YOU!







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