

LET'S TALK FINANCING



SERVING YOU WELL

The relationship between your real estate agent and your mortgage lender is significant in the success of your home buying process. As a Realtor, building relationships and networks of high quality individuals that support buying and selling of property is a priority and ensures that I have access to resources, expertise, and incredible people to support my clients in their needs.

Today, I am myth busting and asking questions with Justin Hoban of Alerus Financial. Justin is an incredible resource AND has helped me successfully buy multiple properties.


MYTH BUSTING

YOU NEED 20% DOWN TO PURCHASE A HOME

BOTH USDA AND VA LOANS ALLOW AS LITTLE AS 0% DOWN. CONVENTIONAL LOANS ARE AVAILABLE WITH 3% DOWN AND FHA ONLY REQUIRES 3.5%. FURTHER DOWN PAYMENT ASSISTANCE PROGRAMS LIKE MN HOUSING MAKE IT POSSIBLE TO GET INTO A HOME FOR AS LITTLE AS \$1000.



 [651.203.8319](tel:651.203.8319)

 justin.hoban@alerus.com

ALERUS
MORTGAGE

PRE QUALIFICATION IS THE SAME AS PRE APPROVAL

PRE-QUALIFICATION GENERALLY IS BASED ON A STATED INFORMATION ABOUT INCOME AND ASSETS. A LENDER WILL ESTIMATE WHAT YOU CAN QUALIFY FOR BASED ON THE DETAILS YOU PROVIDE. BUT INCOME AND ASSET DOCUMENTS ARE NOT PROVIDED AND THE ABILITY TO OBTAIN A LOAN IS NOT VERIFIED. PRE QUALIFICATIONS MAY OR MAY NOT INCLUDE A CREDIT CHECK.

PRE-APPROVALS INVOLVE DOCUMENTATION OF INCOME AND ASSETS WITH DOCUMENTATION SUCH AS PAYSTUBS, W2'S AND TAX RETURNS AS WELL AS BANK STATEMENTS. CREDIT IS PULLED AND THE FILE IS REVIEWED TO ENSURE MORTGAGE GUIDELINES WILL BE MET. A PRE-APPROVAL LAST FOR 120 DAYS BUT CAN BE REDONE QUICKLY WITH A NEW CREDIT PULL AND A FEW UPDATED DOCUMENTS.

YOU CAN NEVER PAY YOUR MORTGAGE OFF EARLY

PREPAYMENT PENALTIES ARE VERY HARD TO COME BY NOWADAYS. MANY STATES HAVE LAWS AGAINST THEM AND VIRTUALLY ALL MORTGAGES ALLOW FOR PREPAYMENT.

YOU MUST HAVE PERFECT CREDIT TO QUALIFY FOR A MORTGAGE

MOST LENDERS CAN LEND DOWN TO AROUND 600. FHA LOANS TECHNICALLY ARE AVAILABLE TO 580, ALTHOUGH IT CAN BE MORE DIFFICULT TO FIND BANKS THAT WILL GO BELOW 600.

 651-491-4087

 danielle@brickandbanister.com

 www.haydensrealty.com

BRICK & BANISTER
REAL ESTATE CO.
MINNEAPOLIS | ST. PAUL

YOUR DOWN PAYMENT COVERS YOUR CLOSING COSTS

DOWN PAYMENT AND CLOSING COSTS ARE SEPARATE FIGURES. THE DOWN PAYMENT IS THE PERCENTAGE OF THE PURCHASE PRICE YOU WILL BE PUTTING DOWN. THIS IS DETERMINED BY YOUR LOAN TYPE, LENDER'S REQUIREMENTS FOR APPROVAL AND YOUR CHOICE. FOR EXAMPLE IF YOU ARE BUYING A \$150K HOME AND PLANNING ON PUTTING 5% DOWN YOU'D HAVE A \$7500 DOWN PAYMENT. YOU'D ALSO HAVE CLOSING COSTS ASSOCIATED WITH OBTAINING THAT LOAN AND BUYING THE HOUSE. INCLUDING THINGS LIKE GOVERNMENT TAXES AND FEES, TITLE COSTS, LENDER COSTS, ETC. THEY AMOUNT IS ADDED TO YOUR DOWN PAYMENT TO DETERMINE YOUR CASH NEEDED TO CLOSE.

APPLYING FOR A MORTGAGE WILL HURT YOUR CREDIT

CREDIT INQUIRIES DO AFFECT YOUR CREDIT. BUT THE IMPACT IS TEMPORARY. ADDITIONALLY CREDIT IS NOT REAL TIME. SO EVEN IF YOU PULL CREDIT AND IT DROPS A COUPLE POINTS THE NEXT MONTH THE IMPACT TO YOUR SCORE IS HAPPENING BEHIND THE SCENES. IF NO ONE IS PULLING IT AGAIN A MONTH LATER OR YOU DON'T KEEP APPLYING FOR CREDIT THE IMPACT IS MINIMAL AND GONE IN A COUPLE MONTHS. THAT SAID GROUPING PRE-APPROVALS OR CREDIT PULLS IS GOING TO INSULATE YOUR SCORE MORE THAN DOING 3 CONSECUTIVE INQUIRIES OVER 3 SUCCESSIVE MONTHS.

HAVING DEBT OR STUDENT LOANS IS A DEAL-BREAKER

DEBT IS CERTAINLY PART OF MORTGAGE QUALIFICATION. ONE OF THE PRIMARY FACTORS IN QUALIFYING FOR A LOAN IS THE ABILITY TO REPAY. DEBT AFFECTS YOUR DEBT TO INCOME RATIO. A CALCULATION THAT DETERMINES HOW MUCH OF YOUR INCOME IS BEING USED TO PAY YOUR MONTHLY OBLIGATION. BUT DEBT ALONE ISN'T GOING TO PRECLUDE YOU FROM OBTAINING A MORTGAGE.

Documentation Needed for Mortgage Application



PERSONAL IDENTIFICATION

- GOVERNMENT ISSUES PHOTO IDENTIFICATION

SOCIAL SECURITY CARD

- MAY BE REQUESTED

PAY STUBS

- CAN BE ELECTRONIC OR PAPER
- USED TO VERIFY INCOME AND EMPLOYMENT

BANK STATEMENTS

- USED TO VERIFY INCOME
- INCLUDES SAVINGS AND CHECKING FOR 2-3 MONTHS

TAX DOCUMENTS

- W-2 FORMS FOR AT LEAST 2 YEARS

INVESTMENT ACCOUNT STATEMENTS

- INCLUDE YOUR 401(K), 403(B), IRAS, STOCKS, BONDS AND MUTUAL FUNDS

LIST OF MONTHLY EXPENSES

- LENDER WILL ASK FOR A LIST OF YOUR FIXED DEBTS, WHICH ARE THOSE THAT ARE REGULAR, RECURRING AND HAVE A MINIMUM REQUIRED PAYMENT
- INCLUDES LOANS, CREDIT CARDS, MEDICAL BILLS

RENTAL INFORMATION AND LANDLORD REFERENCES

- IF YOU'RE A RENTER, YOU'LL LIKELY BE REQUIRED TO SHOW THAT YOU'VE MADE ON-TIME RENT PAYMENTS IN THE PAST.

GIFT LETTERS

- IF A LOVED ONE GIVES YOU MONEY TO USE AS A DOWN PAYMENT, A GIFT LETTER WILL BE REQUIRED TO PROVE THE MONEY IS NOT A PERSONAL LOAN THAT NEEDS TO BE PAID BACK.

CREDIT REPORT

- THE LENDER WILL PULL YOUR CREDIT REPORT, BUT BEING AWARE OF YOUR CREDIT RATING IS IMPORTANT

DOCUMENTS IF YOU ALREADY OWN A HOME

- YOU'LL NEED TO PROVIDE RECENT MORTGAGE STATEMENTS FOR YOUR CURRENT HOUSE.
- THIS WILL SHOW THE EQUITY IN YOUR HOME, ALONG WITH YOUR PRINCIPAL BALANCE AND MONTHLY PAYMENT.

DOCUMENTS YOU WILL NEED IF YOU ARE SELF-EMPLOYED

- YOU MAY BE REQUIRED TO PROVIDE YOUR TAX DOCUMENTS AND BUSINESS RETURNS FOR THE PAST 1 TO 3 YEARS
- YOU MAY NEED TO SHOW YOUR YEAR-TO-DATE AUDITED PROFIT AND LOSS STATEMENT

📞 651-491-4087

✉️ danielle@brickandbanister.com

🌐 www.haydensrealty.com

BRICK & BANISTER
REAL ESTATE CO.
MINNEAPOLIS | ST. PAUL

QUESTIONS AND ANSWERS

WHAT'S THE DIFFERENCE BETWEEN A MORTGAGE LENDER AND A MORTGAGE BROKER?

THERE ARE 3 MAIN CHANNELS FOR MORTGAGES. RETAIL, WHICH CONSISTS OF WALKING INTO A BANK OR CREDIT UNION AND GETTING YOUR LOAN FROM THEM. THEY CAN OCCASIONALLY HAVE VERY UNIQUE PRODUCTS. BUT THEY ONLY HAVE THEIR RATES AND PRODUCTS.

BROKERS WORK WITH MULTIPLE BANKS. THEY WILL FIND AN INVESTOR THAT HAS THE RIGHT PRODUCT AND RATE FOR YOU. THEN THEY PACKAGE UP THE LOAN AND SEND IT TO THE INVESTOR FOR UNDERWRITING. ONCE COMPLETED THEY WORK WITH THE INVESTOR TO MAKE SURE THE FUNDS ARE SENT TO CLOSING. THEY CAN ALLOW YOU TO ACCESS MULTIPLE PROGRAMS AND RATE OPTIONS WITH ONE STOP. BUT THEY DO NOT DIRECTLY CONTROL THE TRANSACTION. YOUR LOAN ENDS UP WITH THE INVESTOR WHO UNDERWROTE AND FUNDED THE LOAN.

CORRESPONDENT LENDERS ARE MUCH LIKE BROKERS. THEY WORK WITH MULTIPLE INVESTORS AND CAN SHOP RATES AND PRODUCTS FOR YOU. BUT UNLIKE A BROKER THEY HAVE THEIR OWN MONEY. SO THEY UNDERWRITE THEIR OWN LOANS AND FUND THEM. AFTER CLOSING THE SERVICING IS TRANSFERRED TO THE INVESTOR.

WHAT IS THE ADVANTAGE OF WORKING WITH A BROKER?

A BROKER OR CORRESPONDENT HAS THE ABILITY TO COMPARE RATES WITH MULTIPLE LENDERS FOR YOU. SIMILAR TO HOW AN INDEPENDENT INSURANCE AGENT WOULD OPERATE.

WHAT IS THE MORTGAGE LOAN PROCESS?

THE ENTIRE MORTGAGE PROCESS STARTS WITH AN APPLICATION AND PROVIDING INCOME AND ASSET DOCUMENTATION SO THE LENDER CAN GET YOU PRE-APPROVED AND DETERMINE LOAN TYPE AND STRUCTURE. ONCE YOU ARE PRE-APPROVAL THE PROCESS WILL BE PUT ON PAUSE AS YOU LOOK FOR A HOME. ONCE UNDER CONTRACT THE PROCESS RESUMES. THE LENDER WILL TALK TO YOU ABOUT LOCKING THE RATE, ORDERING APPRAISAL AND TITLE WORK AND GETTING DISCLOSURES OUT TO YOU. YOU MAY HAVE TO UPDATE SOME DOCUMENTS. THE LENDER WILL THEN GET THE APPRAISAL AND SUBMIT THE FILE TO UNDERWRITING FOR THE FINAL REVIEW. ONCE APPROVED AND CLEAR TO CLOSE THE LENDER'S CLOSING DEPARTMENT AND THE TITLE COMPANY WILL PREPARE THE FINAL NUMBERS. THESE WILL BE SENT TO YOU A MINIMUM OF 3 DAYS PRIOR TO CLOSING SO YOU CAN REVIEW. THEN YOU WILL GO TO THE TITLE COMPANY ON THE DAY OF CLOSING AND SIGN ALL OF THE FINAL DOCUMENTS TO CLOSE THE LOAN AND COMPLETE THE PURCHASE.

WHAT INFORMATION WILL I NEED TO PROVIDE?

IT WILL DEPEND A LITTLE ON YOUR SITUATION. BUT IN GENERAL INCOME DOCS LIKE PAYSTUBS, W2S, TAX RETURNS, AND ASSET DOCUMENTATION SUCH AS CHECKING, SAVINGS, INVESTMENT AND RETIREMENT ACCOUNTS WILL BE REQUIRED.

OTHER POTENTIAL ITEMS THAT COULD BE NEEDED ARE DIVORCE DECREES, RENTAL PROPERTY LEASES, MORTGAGE STATEMENTS, INSURANCE BINDERS, ETC.

WHAT IS IMPORTANT TO KEEP IN MIND WHEN GOING THROUGH THE MORTGAGE LOAN PROCESS?

BE PROMPT IN GETTING YOUR LENDER ANYTHING THEY ASK FOR DURING THE LOAN PROCESS. (I NEED MORE FOR THIS ONE, BUT THIS IS ALL THAT WAS COMING TO MIND.)

WHAT IS A "POINT"? WHAT DOES IT MEAN TO BUY DOWN POINTS? WHEN SHOULD YOU DO THIS?

A POINT IS A FEE THAT CAN BE PAID TO OBTAIN A LOWER INTEREST RATE. POINTS CAN BE FULL OR PARTIAL. THEY ARE BASED ON THE LOAN AMOUNT. FOR EXAMPLE IF YOU ARE GETTING A \$100,000 LOAN A FULL 1% POINT WOULD BE A FEE OF \$1000. HOW MUCH THE POINT LOWERS YOUR RATE CAN CHANGE DAY TO DAY AND THE DECISION TO PAY ON OR NOW WILL BE DETERMINED BY SEVERAL FACTORS. INCLUDING, BUT NOT LIMITED TO: HOW LONG YOU PLAN TO BE IN THE HOME, WHERE YOU THINK INTEREST RATES WILL GO IN THE FUTURE AND YOUR OWN FINANCIAL SITUATION AND PRIORITIES.

WHAT IS LOAN UNDERWRITING AND HOW LONG DOES IT TAKE?

UNDERWRITING WILL VARY LENDER TO LENDER. BUT GENERALLY THE ACTUAL UNDERWRITING PORTION OF THE LOAN PROCESS WILL BE A FEW DAYS TO A COUPLE OF WEEKS DEPENDING ON LOAN VOLUME AND THE COMPLEXITY AND COMPLETENESS OF THE LOAN FILE.

WHAT MIGHT/CAN GO WRONG ALONG THE WAY?

IF YOU ARE WORKING WITH A LENDER WHO HAS DONE THEIR DUE DILIGENCE DURING THE PRE-APPROVAL THERE SHOULD BE VERY LITTLE THAT SHOULD DISRUPT THINGS. THE MOST COMMON PROBLEMS (WHICH ARE STILL RARE) WOULD BE ISSUES WITH THE APPRAISAL. BUT FIND A REPUTABLE LENDER AND THINGS SHOULD BE SMOOTH AND STRESS FREE.

 651-491-4087

 danielle@brickandbanister.com

 www.haydensrealty.com

BRICK & BANISTER
REAL ESTATE CO.
MINNEAPOLIS | ST. PAUL