

Section 3: Arranging Your Loan

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Arranging Your Loan

The first items you'll need to take care of are selecting a lender and completing a mortgage application. Plan to accomplish this prior to the start of the design of your home so you will have an idea of how much money you are qualified to spend. Then within 5 business days of signing your purchase agreement take the completed purchase agreement back to the lender to finalize your loan.

Your lender's job is to understand your particular financial circumstances completely. You will review all information on the application at your meeting with the loan officer. A situation rarely arises that your loan officer has not encountered in the past. Do not hesitate to discuss any questions you have regarding your assets, income, or credit. By providing complete information, you prevent delays or extra trips to deliver documents.

Loan Application Checklist

The amount of documentation and information required for a mortgage can seem overwhelming. You can facilitate the application process by collecting as much of the needed information as you can before your appointment.

The checklist that follows is a general guide to assist you with the loan application. Some of the items listed may not apply to you, and your lender will probably request some items that we have not mentioned, but this list will get you off to a good start.

Credit Report

Please note that you will be asked to pay for a credit report and an appraisal upon signing the application.

Property Information

___ The purchase agreement will include the legal description of the property and the price.

Personal Information

- ___ Social Security number and driver's license for each borrower
- ___ Home addresses for the last two years
- ___ Divorce decree and separation agreements, if applicable
- ___ Trust agreement, if applicable

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Income

- Most recent pay stubs
- Documentation on any supplemental income such as bonuses or commissions
- Names, addresses, and phone numbers of all employers for last two years
- W-2s for last two years
- If you are self-employed or earn income from commissioned sales, copies of last two years of tax returns with all schedules and year-to-date profit and loss for current year, signed by an accountant
- Documentation of alimony or child support, if this income is considered for the loan

Real Estate Owned

- Names, addresses, phone numbers, and account numbers of all mortgage lenders for the last seven years
- Copies of leases and two years of tax returns for any rental property
- Market value estimate

Liquid Assets

- Complete names, addresses, phone numbers, and account numbers for all bank, credit union, 401K, and investment account
- Copies of the last three month's statements for all bank accounts
- Copies of any notes receivable
- Value of other assets such as auto, households goods, and collectibles
- Cash value of life insurance policies
- Vested interest in retirement funds or IRAs

Liabilities

- Names, account numbers, balances, and current monthly payment amounts for all revolving charge cards
- Names, addresses, phone numbers, and account numbers for all installment debt and approximate balances and monthly payments for such items as mortgages, home equity loans, and auto loans
- Alimony or child support payments
- Names, addresses, phone numbers, and account numbers of accounts recently paid off, if used to establish credit

Loan Application Paperwork

Once you have given all preliminary information to your loan officer, your lender sends verification forms to your employers, banks, and current mortgage company or landlord, and also orders the credit report and appraisal. You sign a release to authorize these steps. Your lender may provide you with a Good Faith Estimate and a Truth-in-Lending Disclosure.

Good Faith Estimate

The Good Faith Estimate lists the estimated costs you will incur at closing. Some of the numbers listed on this form are prorations, subject to change based on the actual date of the closing. Others are set fees that should remain the same.

Truth-in-Lending Disclosure

The Truth-in-Lending Disclosure shows the total cost to you, over the term of the loan, for your specific financing. The calculation is based on the assumption that you own the home and make regular payments throughout the term of the loan.

Verification of Employment

The lender sends Verification of Employment (VOE) forms to all employers for the last two years. The employers complete, sign, and return the forms to the lender. The forms show the dates of employment, the amount of money you earned last year, and how much you have earned so far this year. The VOE documents bonuses and overtime you earned.

Verification of Deposit

Verification of Deposit (VOD) forms go to each banking institution listed on your application. The institutions indicate the date you opened each account, average balances for the last three months, and the amount of money you have in each account on the day they complete the form. Any loans or overdraft accounts you have with the bank will also be shown.

Verification of Mortgage

Mortgage companies and landlords complete Verification of Mortgage (VOM) forms. These show the lender how much you owe, the amount of your monthly payment, and whether you make your payments by the due date.

Credit Report

Your credit report shows the amounts of money you owe to each of your creditors, minimum monthly payments, and your payment history. The appraisal confirms the value of the home you are purchasing for you and your lender.

Loan Underwriting

Typically, several weeks pass as these reports and forms are returned to the lender. If any delays are encountered, the loan officer may contact you for assistance. The credit reporting agency may call you to verify that the information they have gathered is correct.

Once the loan processor has collected this standard documentation, you may be asked to write letters describing your assets, income, or credit. Few loans are finalized without requests for additional information just before the package is submitted to the underwriter for final approval. At this point you may become frustrated with the loan process.

Please remember that your lender requests these letters to assist you in obtaining your financing. Do not hesitate to discuss your concerns with your loan officer. Perhaps he or she can provide some additional insight on what may seem to be redundant requests.

Loan Amount Requested

Before the processor submits your file to the underwriters for final approval, he or she will verify the final sales price. Make sure that copies of all addenda such as change orders signed after the original purchase agreement was completed have been sent to the lender. This assists the lender in determining the exact loan amount. If change orders affect the total price after this point, you may have to resubmit your loan application for the higher amount or the lender may ask you to pay for the additional items in cash.

Loan Approval

During your first meeting, you and your lender determine the timing to obtain prequalification. This may allow us to start the home even though final approval is still pending. You will discuss additional items that you may need to obtain final loan approval. Several weeks after your first meeting with the lender, you should receive loan approval. If any of the documents requested have not been returned to the lender in a timely manner, approval may take longer.

Contingencies

Loan approvals often carry conditions of approval. The sale of a previous home or proof of funds are two examples. Discuss any concerns you may have about such conditions with your loan officer and obtain any requested documentation as soon as possible. Once all contingencies are met, the final loan can be approved.

Loan Amount Approved

If you qualify for an amount that is less than you requested, ask your loan office what changes might qualify you for a larger loan. Or, consider omitting some items now (a deck or finished basement) and adding them to your home later. Another possibility is to talk to another lender with different programs and different requirements.

Loan Lock

The only thing anyone knows for certain about interest rates is that they will change. Do not rely on anyone's predictions regarding rates. Locking your rate prematurely can result in extra expense if your new home is not complete in time to close within the lock period. We are happy to update you throughout the process of construction on the target delivery date. ***Until we reach a point in construction where factors outside our control can no longer affect the delivery date, the decision to lock your loan is at best a gamble.***

Loan Closing

Between the time your loan is approved and the date of your closing, remember that any significant changes in your financial circumstances could impact your loan approval. If your closing occurs more than 30 days after the lender issues your loan approval, the lender may order an additional credit report just prior to the closing date. Changes in your financial circumstances, for example, purchasing a new car or increases in your charge card will appear as a new liability on your updated credit report. Such changes may cause your lender to reconsider your approval. Holding off on such purchases until after closing is best.

Down Payment Worksheet

Available Funds

Equity in present home	\$ _____
Savings, savings certificates	_____
Investments	_____
Insurance (cash value)	_____
Other funds (such as a cash gift)	_____
 Total available funds	 _____
 Minus amount you want to keep in savings	 _____
 Adjusted Total Available Funds	 \$ _____

Expected Expenses

Settlement costs (estimate 5 percent of loan)	\$ _____
Moving costs	_____
Landscaping	_____
Other expected expenses	_____
 Total Expected Expenses	 \$ _____

Down Payment

Adjusted total available funds	\$ _____
Minus total expected expenses	_____
 Amount Available for Down Payment	 \$ _____

Monthly Payment Worksheet

Loan Payment

Principal and interest \$ _____
Property tax _____
Hazard insurance _____

Total Loan Payment \$ _____

Homeowner Association Monthly Dues \$ _____

Estimated Utilities

Electric \$ _____
Gas _____
Water _____
Sewer _____
Trash collection _____
Cable TV _____
Security system monitoring _____

Total Estimated Utilities \$ _____

Monthly Payment

Loan payment \$ _____
Homeowner association dues _____
Estimated utilities _____

Total Monthly Payment \$ _____