

YOUR GUIDE TO HOME LOAN SUCCESS

HOME LOANS
bay equity
THE MORTGAGE SISTERS



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*We're here to get
you home.*



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Every dream has a starting point.

In this guide, we'll walk you through what to expect during the loan process, give you helpful tips and information, and answer any questions you may have in regards to your mortgage loan.

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Mortgage Do's and Don'ts
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It's important to understand actions that could impact the mortgage approval process. Use our tips below to make sure your loan approval and closing date stay on track.

MORTGAGE DOs

- DO** continue to make your current mortgage or rent payment on time
- DO** stay current on all existing accounts (even if you are paying them off)
- DO** continue to work for the same employer - try not to switch jobs
- DO** continue to use the same insurance company
- DO** continue to live at the same residence
- DO** continue to use your credit cards as normal
- DO** call us if you have ANY questions!
- DO** tell your friends, family, and coworkers about us! We promise to take great care of you and earn your trust.

We Love Referrals!

A referral is when you introduce someone you care about to someone you trust.

MORTGAGE DONT's

- DON'T** make any major purchases like furniture, car, boat, jewelry, etc.
- DON'T** apply for any new credit
- DON'T** apply for new student loans - please call us if you feel you need to open new credit!
- DON'T** open any new accounts - gym memberships, etc.
- DON'T** transfer any bank balances without letting us know first
- DON'T** pay off any collections or accounts due without consulting with us first
- DON'T** close any credit card accounts
- DON'T** change banks or open new bank accounts
- DON'T** max out or overcharge your credit accounts
- DON'T** draw on an open line of credit for closing costs or down payment funds
- DON'T** consolidate your debt onto other open credit accounts without consulting with us first
- DON'T** open a new cell phone account

WHAT IS IN A MORTGAGE PAYMENT?



There are several factors, including the down payment amount and the loan program, that determine the components of your monthly mortgage payment.

PRINCIPAL	The portion of your monthly payment that is applied towards lowering the balance of your loan.
INTEREST	The portion of your monthly payment that covers the interest accrued the previous month on the balance of the loan. Interest is what a lender charges you for borrowing money.
TAXES	Property Taxes are assessed by the county and are based on the sales price. 1/12th of the annual property tax bill can be included in your monthly payment.
INSURANCE	Homeowners Insurance covers damage to your property from theft and fire. 1/12th of the annual premium can be included in your monthly payment. Mortgage Insurance (PMI OR MIP) if required, protects the lender in the event of a default on the loan. Flood Insurance is required for properties in flood hazard areas.
HOA FEE (Home Owners Association)	Not included in the monthly mortgage payment to the lender. An HOA Fee is paid directly to the Condo Association/Property Management Company for the maintenance of the community. HOA Fees may cover the insurance on the exterior or all of the unit.

LOCKING IN YOUR INTEREST RATE



→ What is a rate lock?

A rate lock is an agreement between you (the borrower) and us (the lender) that a specific interest rate will be provided to you for a specific period of time (the rate lock period).

→ When is my rate locked?

We will confirm and lock your interest rate with your verbal or written authorization.

→ What if rates go up before I close my loan?

If interest rates increase, you are protected and can be assured that your locked rate will be honored on your loan papers on the date of closing. We will NOT ask you to pay a higher interest rate simply because the market has worsened. If necessary, the rate lock period can be extended for a fee.

→ If rates appear to be dropping, why shouldn't I wait to lock a rate?

Ask yourself what gives you more peace of mind:

- » *Lock a rate and possibly miss a lower rate if the market shifts after you lock? OR*
- » *Not Lock a rate and face a higher rate because of market shifts?*

It is our objective as advisors to assist you in determining an optimal time to lock an interest rate given our professional assessment of market conditions as well as your objectives. Keep in mind that if rates drop after you purchase the home, we can always refinance your loan after 7 months.

UNDERSTANDING CLOSING COSTS

LENDER FEES

(these are the only fees the lender can control)

ORIGINATION CHARGES - The fees charged by the Lender for processing and underwriting of the loan application (processing fee and underwriting fee). Other lenders may have additional fees such as an **Application Fee** and a **Loan Origination Fee**.

DISCOUNT POINTS - A fee paid in exchange for a reduced interest rate. Also called "Buying Down the Rate." One point is equal to 1% of the loan amount. Ask your Loan Officer for specific details.

THIRD PARTY FEES

APPRAISAL FEE - The fee paid to a qualified appraiser for preparing an Appraisal Report which provides an opinion of market value for the property. This fee ranges from \$495 to \$800+, depending on the value of the home and the complexity of the report. When significant repairs are noted on the appraisal a re-inspection by the appraiser will be required to ensure work is complete. The re-inspection report may cost up to \$150.

CONDOMINIUM DOCUMENT FEES - When applicable, a condo certification is required to ensure the condo project's eligibility for financing.

CREDIT REPORT - The fee paid to obtain a copy of a mortgage credit report from the 3 credit bureaus.

TAX SERVICE - A fee typically paid to a tax service agency. The role of a tax service agency is to look for delinquent property taxes and alert the mortgage company to prevent tax liens from existing against the property.

SETTLEMENT FEE - The fee paid to your closing attorney who will represent you at the settlement of your real estate transaction. Attorney fees can vary considerably from one state to another.

FLOOD CERTIFICATION - Federal regulations and secondary mortgagors require lenders to obtain a certification from a surveyor indicating whether the property is within a flood hazard area and if flood insurance is required.

TITLE FEES - A Title company performs a title search which ensures there are no outstanding issues with the property such as liens for unpaid taxes, special assessments, judgements, demands, or other legal issues. Other Title related fees include ENDORSEMENT FEE, WIRE & COURIER FEES.

TITLE INSURANCE - Homebuyers typically need two title insurance policies: an Owner's Policy which protects the homeowner and a Lender's Policy which protects the lender. Title insurance protects against problems with a title when there is a transfer of property ownership.

RECORDING FEES - Fees paid to the County to record the new Deed of Trust, ensuring that you are the new official owner of the property.

UNDERSTANDING CLOSING COSTS



Think of this as your savings account within your home loan for taxes and insurance. When you close escrow, the lender will collect a certain number of months upfront to setup the impound/escrow account so that sufficient monies are available when the property tax and insurance premium is due. The number of months collected for property taxes depends on the exact month in which you close escrow. The lender usually collects 2 months of your insurance payment to have as reserves. This is YOUR money and not a fee. When you sell or refinance your home, you will receive a refund of any remaining balance in this impound/escrow account.



PREPAID INTEREST - Prepaid interest is collected by the lender to pay for the interest charges for the remainder of the month during which the loan closes escrow. I always say, “Mortgage - you pay back. Rent - you pay forward.” In other words, when you pay rent, you are paying for the upcoming month BUT a mortgage payment covers the previous month’s interest.

Example - If you close escrow on January 10th, there are 21 days remaining in the month. Therefore, you will be charged 21 days of interest for January. See the example below.

First Payment Date - March 1st, this is why it feels like you got to “skip” a payment.

PREPAID INSURANCE - At closing, you will prepay the annual premium for the Homeowner’s Insurance on your property. Your home will then be insured for the 1st year.

PREPAID PROPERTY TAXES - At closing, the buyer is responsible for paying the prorated property taxes due from the date of closing through the end of the tax billing cycle. Similarly, the seller is responsible for paying the prorated property taxes due from the start of the previous billing cycle through the close of escrow date.





ROAD MAP TO LOAN SUCCESS

Must do ASAP!

- **INITIAL CONTRACT DEPOSIT** - Make sure that you deliver the initial deposit in the format and timeline agreed upon in your sales contract.
- **INSURANCE** - Choose your homeowner's insurance provider and provide us with a copy of the quote. For your convenience, we can provide a quote from a trusted insurance agent.
- **VESTING** - Determine how you want to hold title to the property. Please consult with your attorney.
- **BORROWER DOCUMENTATION** - Make sure to provide any documents we request as quickly as possible to ensure a timely closing.

What's Next?

- **INITIAL LOAN DISCLOSURES** - Within 3 days, we will send initial loan disclosures for you to acknowledge via an electronic signature. Please sign these upon receipt.
- **APPRAISAL** - We will be ready to order the appraisal once the Loan Disclosures are acknowledged. Be prepared to provide your payment information.

- **CONDITIONAL LOAN APPROVAL** - Once your loan file is reviewed by our underwriter, a conditional loan approval will be issued and any pending borrower documentation will be requested. Please provide any requested documentation ASAP.
- **CLOSING DISCLOSURE** - Once your loan is approved, we will issue a Closing Disclosure which you will need to sign electronically on the day of receipt. This will trigger the 3 day mandatory wait time before you can sign final loan documents.

The Final Steps

- **FINAL LOAN APPROVAL** - When all underwriting conditions are satisfied, you will receive final loan approval and your loan will be "clear to close."
- **SIGN LOAN DOCUMENTS** - Your attorney will contact you to schedule signing.
- **FUNDING & RECORDING** - Once your loan funds and the deed of trust is recorded with the County Recorder's Office, you will be the official owner of the property!

 *Congratulations!*

MEET YOUR INCREDIBLE TEAM

The Mortgage Sisters and their team of professionals
are your guides to home loan success!



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We're here to get you home.



Equal Housing Opportunity. Bay Equity LLC. This is not a commitment to lend or extend credit. Restrictions may apply. Rates may not be available at time of application. Information and/or data are subject to change without notice. All loans are subject to credit approval. Not all loans or products are available in all states. Bay Equity LLC, 770 Tamalpais Drive, Suite 207, Corte Madera, CA 94925; NMLS ID#76988. Massachusetts Mortgage Lender License #MC76988, Mortgage Broker License #MC76988. Rhode Island Lender License #20193821LL. NMLS consumer access: www.nmlsconsumeraccess.org BERM-221122-1.0