Generations
HOME LOANS

# Mortgage Process Guide

Here to help you home.



# Helping You Home

Generations Home Loans is a full-service mortgage bank providing homebuyers with complete home-financing solutions. Our team offers extensive expertise and a proven history of outstanding customer service. We have a reputation of consistent, reliable performance and look forward to building relationships with our customers upon that foundation. Our mission is simple—to utilize our mortgage expertise to put our clients in the best position possible to reach their goals.

At Generations Home Loans, we're committed to providing value for our clients through education. We understand the importance of being informed and knowing your options. Whether you're purchasing your first home or have been around the block, we are here to help.





# Getting Buyer Ready

Even before you fill out a mortgage application, you'll want to get buyer ready. This means beefing up your credit score, paying down debt, saving up for a down payment, and getting documents ready for you to be pre-approved. Tackling all four tasks at one time can seem daunting until you break it all down.

You will need more than a good credit score and a large down payment to purchase a home. Home sellers will not take your offer or even your request to view the home seriously unless you have the backing of a lending institution. In order to be qualified for a mortgage, you will need proof of income, proof of the funds to be used for the down payment and a solid credit score.



# Breaking Down Credit Scores

Your credit score is an indication of your repayment likelihood on a scale of 300 to 850. For lenders, a higher credit score means you're more likely to repay a loan, putting the lender in a less risky situation; the inverse is true for lower credit scores.

Breaking down a credit score can seem complicated at first, but it's important to remember that each score is made of five key features:

1. Payment history
   (frequency of on-time payments)
2. Amount owed
   (the amount of credit used)
3. Length of history
   (how long you've had credit)
4. New credit.
   (new lines of credit opened)
5. Types of credit
   (differing credit lines)

Credit scores directly impact your loan's interest rate, and how much you'll end up paying by the end of the loan. Higher scores attract lower interest rates, and vice versa. If your credit score is in the "poor" to "fair" range, consider paying down some debt, and increasing your on-time payment frequency to help improve it.

# The Low Down on Down Payments

A common misconception with home financing is that buyers are required to come with a 20% down payment; this means as a borrower, you'd pay 20% of the purchase price now, and take out a mortgage on the rest of the home's cost. However, a 20% down payment is not your only avenue to homeownership. There are many mortgage programs that require less of a down payment, from 15% to 3.5%. Some loan programs even have no down payment at all.

Larger down payments allow you to have a smaller monthly mortgage payment, as you are borrowing less. Additionally, you can avoid an additional mortgage insurance payment. On the other hand, smaller down payments come with benefits as well, the overall being your ability to enter into homeownership sooner. While a lower down payment may cost more in terms of your monthly mortgage*, it's important to keep in mind the equity that you'll be building at the same time. Some prospective buyers may consider renting while saving up for a down payment; however, consider the equity you could build by putting that money towards your mortgage instead.

*In addition to your mortgage payment, many programs will require you to purchase mortgage insurance when putting down less than 20%.





# Mortgage Make Up

### Understanding "PITI"

Aside from your down payment on a home, which is a one-time payment at closing, the next financial obligation to keep in mind is your PITI. PITI, an acronym for "principal, interest, taxes, and insurance", essentially represents the factors that determine the cost of your monthly mortgage.

Don't forget costs like taxes and insurance when considering a monthly payment that you're comfortable with. The best way to get a concrete idea of how much interest, taxes and insurance could cost you is to work with your local Mortgage Advisor.

### Mortgage Insurance

If you're entering into homeownership without a 20% down payment, be sure to factor in mortgage insurance.

Depending on the financing program, you may be required to purchase an additional form of insurance called "mortgage insurance." Typically, this will be paid alongside your mortgage.

It's good to keep in mind that this insurance is not permanent--once you've reached 20% equity in your home, you can work with your mortgage consultant to remove these additional payments.

Having a 20% down payment is traditionally a huge obstacle to overcome in the journey to homeownership. However, it shouldn't stop you!

# Getting Pre-Approved

Once you're ready to officially enter into the home financing process, you'll want to get pre-approved. This is where you provide your proof of income, access to your credit report and proof of your down payment for a preliminary evaluation. As a result, you'll receive a pre-approval letter from your lender stating how much they're willing to offer in terms of financing, presentable to sellers when making an offer. Many real estate agents do not want to show a home unless the interested buyer has obtained a pre-approval. Being pre-approved communicates your seriousness to home sellers, reassuring them that you are able to close on the property and complete the transaction.

Paying down debt can help increase your credit score. Additionally, the less debt you have to pay down, the more you can put towards saving for your down payment. Once you feel comfortable in your financial standing, it's time to get pre-approved.



# Financing Options

Like most Americans, you may not have the funds to put in an all-cash offer on a home. Making up the difference between the down payment you have available and the rest of the home's property price is where we jump in to help.

Home financing is not one-size-fits-all. In fact, there are a variety of loan programs available to fit the needs of an individual borrower, making homeownership possible. Depending on your goals, location, and/or financial status, there is a home loan program that works for you.





# Conventional Loans

Conventional loans are popular for borrowers with strong credit scores and a solid down payment of 3% to 20% of the property's purchase price. While a typical loan term is 30 years, your fixed rate or adjustable rate loan can be financed for as short as 10 years. Longer loan terms come with lower monthly payments, while the benefits of shorter terms being that you build equity faster and pay off the loan sooner.

If you're looking to finance a property that may be restricted when utilizing government loans, a conventional mortgage could be the right option. Refinancing into a conventional loan is also a good solution for borrowers who would like to remove their current mortgage insurance and lower their monthly payments.



# Government Backed Loan Options

A government-backed mortgage is insured by an agency of the federal government, making it easier for more people to qualify for a mortgage who normally might not. By assuming some of the risks of lending, these federal agencies open the doors for low- to moderate-income borrowers, those living in rural areas, and even service members and their families.

### FHA Loans

Federal Housing Administration (FHA) loans offer flexible underwriting guidelines, helping you qualify. FHA loans are one type of government loan intended to assist more homebuyers in qualifying for a mortgage.

While secured by the Federal Housing Administration, FHA loans require monthly mortgage insurance premiums paid by the borrower that protect the lender in the case of default. FHA loans provide more flexible qualifying criteria, such as credit and income requirements, than other loan programs. Additionally, this loan type permits small down payments (as little as 3.5%), making it an appealing option for many homebuyers.

### USDA Loans

USDA loans offer an affordable financing option for eligible rural properties. Backed by the U.S. Department of Agriculture, this loan type provides favorable home financing opportunities for eligible borrowers in rural areas who meet certain income requirements. USDA loans offer flexible qualifying criteria and options for covering down payment and closing costs.

Homes eligible for USDA financing are typically found in rural areas, but you may be surprised to learn these designated areas are extensive. Visit the USDA Property and Eligibility site to learn more about eligible areas and income restrictions.

### Veterans (VA) Loans

Veterans Administration (VA) loans are available only to veterans or active-duty members of the U.S. Armed Forces, providing significant buying power for service members.

VA loans offer flexible terms and underwriting standards, allowing you to take advantage of your earned benefits. These loans are a good option for past and current military personnel as they offer lower rates than other loan programs and a 0% down payment on standard loans. With no down payment or mortgage insurance requirements on standard loans, VA loans offer affordable financing options to veterans, active duty military, reservists, National Guard and surviving military spouses.



# Jumbo Loans

Jumbo loans provide financing solutions for luxury properties and high-cost areas. Jumbo loans permit homebuyers to borrow more than conforming and government loans allow. This gives well-qualified borrowers greater buying power in high-cost areas. If you're looking to finance a property that may exceed your county's loan limits, a Jumbo loan is a promising option. Jumbo programs may also benefit borrowers with nontraditional employment statuses or sources of income, or those with complex financing scenarios.

# Even More Financing Options

### Non-QM Loans

Non-qualified mortgages (Non-QM) empower borrowers to qualify for a loan based on alternative methods outside of the conventional documentation requirements for income verification. This is an ideal option for entrepreneurs, self-employed borrowers, and those thriving in gig economies who may not have pay stubs to submit, but can still prove to have a reliable income.

### Refinancing Loans

Refinancing can improve your loan terms, helping you reach your goals. A traditional refinance on your current mortgage may improve your loan terms and lower your monthly payment, saving you money and assisting you in paying your mortgage off sooner if you choose to do so. Additionally, a cash-out refinance allows you to tap into your home's equity, which may be a productive option for consolidating debt or funding a home improvement project.



# The Mortgage Process

It’s time! Now that you know what to expect in terms of types of financing and how to prepare for your monthly payment, you’re ready to get started on your homeownership journey. The Generations process is different for every buyer, but there are common milestones each buyer can expect to complete. We’re here to walk you through each one, step-by-step.





01.

## Application and Pre-Approval

To kick off obtaining the right program for your dream home, you'll need to complete a mortgage application and have a consultation with a Generations Mortgage Advisor. Submitting an application allows us to evaluate your income, employment status, credit and more. We're also able to provide you with a loan estimate (an estimate of fees associated with the processing and closing of your loan), and a pre-approval letter stating our commitment to lending. This letter is a must-have when shopping for a home to show sellers how serious you are when putting in an offer, and that you have the ability to close the transaction.

02.

## Shopping for a Home

Once you've been pre-approved, it's time to begin shopping for a home! Work with your local real estate agent to find the ideal home for you and your family's needs. From condos to townhomes to single-family homes, your agent will work with you in finding a home to call yours. As you put in offers, your agent will include your pre-approval letter from Generations, showing sellers how prepared you are to buy, and giving them confidence on a successful transaction.

03.

## Title and Appraisal

Your title company will perform a title search on your behalf after your offer is accepted, essentially ensuring that your chosen property does not legally belong to anyone aside from the seller. As long as the title is clear and there are no liens on the property, the transaction will move forward. At the same time, we'll send an appraiser to the property you've chosen to ensure it is worth the amount you've offered. If the appraised value is less than your offer, you will be required to make up the price difference, or negotiate a lower selling price with the current owners.



04.

## Final Underwriting

Once the title and appraisal are in, your loan application gets sent to underwriting. All provided documents (your application, appraisal, credit, etc.) are evaluated by a professional underwriter to ensure they meet your loan program's requirements and guidelines. A loan approval will be issued for files that do not need further clarification; however, in some cases, an underwriter may request more documents or issue a "Conditional Approval," with a few more steps required.

05.

## Closing

We're in the home stretch! After all conditions on your loan have been cleared, you're off to closing. This is where you sign all of your loan documents, pay your down payment and closing costs, and receive the keys to your new home!

06.

## Servicing

Now that you've finalized the financing and closed on your new home loan, it's important to know where to make your monthly mortgage payments. This is where your loan servicer comes in.

# Homebuying Resources

Taking out a mortgage is the most popular avenue into homeownership. With the variety of loan programs offered, we've been able to help thousands of homebuyers achieve their dreams.

At Generations, we understand the importance of being a knowledgeable homebuyer as you enter into your mortgage journey. That's why we're here to help inform you of all the costs associated with a mortgage, so you're always confident in your next step, and there are never any surprises.





# Tips for a Successful Closing

At Generations Home Loans, our goal is to make the home buying process as easy and stress-free as possible. While your loan is in progress, please take note that the following can affect the approval process and final closing:

- Respond quickly to all requests for information
- Avoid “shifting” your money between bank accounts
- Maintain your current employment/income source
- Keep residence, marital status, business ownership, etc., stable
- Be mindful of large deposits; all large non-payroll deposits must be documented
- Avoid credit increases or inquiries
- Do not obtain new debt or make any major purchases
- Identify and document gift funds early, if applicable
- Inform us of travel plans as you will be required to send requested documentation and be present to sign final papers

# Loan Pre-Approval Checklist

An initial loan consultation will assist you in identifying an affordable mortgage payment further pinpointing your goals. Obtaining a formal pre-approval letter is the necessary next step on your home buying journey. This will help you leverage your offer with confidence.

At Generations, we streamline the documentation process by utilizing innovative technology solutions that can electronically verify your information so you can start shopping sooner. Ask your mortgage consultant for details.

## If you are a W2 employee

- [ ] Pay stubs for the previous month
- [ ] Bank statements for the previous 2 months (all pages)
- [ ] W-2's for the previous 2 years
- [ ] Full tax returns and 1099's with all schedules for the previous 2 years
- [ ] Copy of driver's license

## If you are Self-Employed or a Business Owner

- [ ] Full tax returns and 1099's with all schedules for the previous 2 years
- [ ] Current Profit and Loss Statement, and Balance Sheet (signed and dated)
- [ ] Bank statements for the previous month (all pages)

## If you have Retirement, Disability, Trust or other Sources of Income

- [ ] Pensions or Social Security documents with award letters or tax documents
- [ ] Bank statements for the previous month (all pages)
- [ ] Proof that income will continue for at least 3 years
- [ ] Trust fund income (documentation funds have been received for previous 2 years)

## If you have Rental Properties

- [ ] Provide rental agreement and tax returns for the previous 2 years
  *Let us know if you plan on making your current residence into a rental property

## Additional Information (If Applicable)

- [ ] Provide proof of any large deposits appearing on Bank Statements
- [ ] Copy of Earnest Money Check and corresponding Bank Statement
- [ ] Copy of Insurance Policy and Tax statement on all properties owned
- [ ] Complete Bankruptcy papers (full discharged) if less than 7 years ago
- [ ] Lender originated "Gift Letter" and a complete paper-trail for the gifted money
- [ ] Signed and recorded copy of Divorce Decree, Child Support Order and Spousal Maintenance orders
- [ ] If you own properties, please provide a mortgage statement showing a breakdown of payment to include taxes and insurance. If taxes and insurance are not included in mortgage provide proof of property tax and homeowner insurance premiums.

# How To Properly Document Asset Statements

In today's lending environment, we are required to document all deposits, transfers and proof of liquidation of any stocks, bonds or CD's.

## Documenting large deposits requires:

*Large deposits are defined as greater than 50% of total gross monthly qualifying income*

- [ ] Letter of explanation stating what these deposits are
- [ ] Documentation showing what these deposits are, including:
  - [ ] Copy of checks being deposited
  - [ ] Bill of sale and copies of checks for items sold
  - [ ] Deposit slips for these transactions

## Transferring funds from one account to another requires:

- [ ] 30-day account history for the account that funds were transferred from
- [ ] Explanation of all deposits in the same manner

## Liquidating stocks, mutual funds, bonds or Certificates of Deposits requires:

- [ ] Documentation that these assets were sold
- [ ] Documentation that they have been converted to cash

## Gift Funds Require

- [ ] Completion of gift letter
- [ ] Copy of the check and/or receipt for wire transfer
- [ ] Documentation showing deposit of gift funds deposited into your account (funds must show as available funds)

## Helpful Hints for Asset Documentation

- [ ] All statements must include 30 days of transaction history
- [ ] Be sure to include ALL pages
  If a statement says 1 to 5 pages, it must be all 5 pages (even if they are blank)
- [ ] Online statements are acceptable provided they include your name and full account number
- [ ] Online statements must include the URL (web address) on the printout
- [ ] Funds to close must come from the same verified accounts provided at time of application

# Notes



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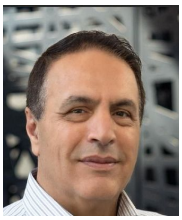
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# Notes

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# Generations App




We are committed to making the home buying process simple, convenient, and stress free, from start to finish. Our top priority is to develop a home financing solution that's tailored to you, and our Generations app is step one to finding your new home! Whether you are looking to purchase a home, or interested in refinancing, The Generations app provides the tools to help you through the process with ease.

**Request Pre-Approval**
Begin the pre-approval process all from your phone.

**On-the-Go Affordability Calculators**
Giving you an idea of what a monthly mortgage payment may look like.

**Leverage Quick Contact**
Delivers a simplified method of communication.

**Trusted Security**
Scan & upload docs from your phone.

**Stay Up To Date**
Get updates and track milestones as you go.

## DOWNLOAD NOW!

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