



New York University  
Federal Credit Union

# Mastering the Mortgage Process

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# Introduction

## During this seminar we will discuss:

- Overview of the home buying process
- Real estate agents
- The mortgage application process
- Pre-Qualification vs. Pre-Approval
- Choosing the right loan type
  - (ARM vs. Fixed Rate)
- Mortgage documents

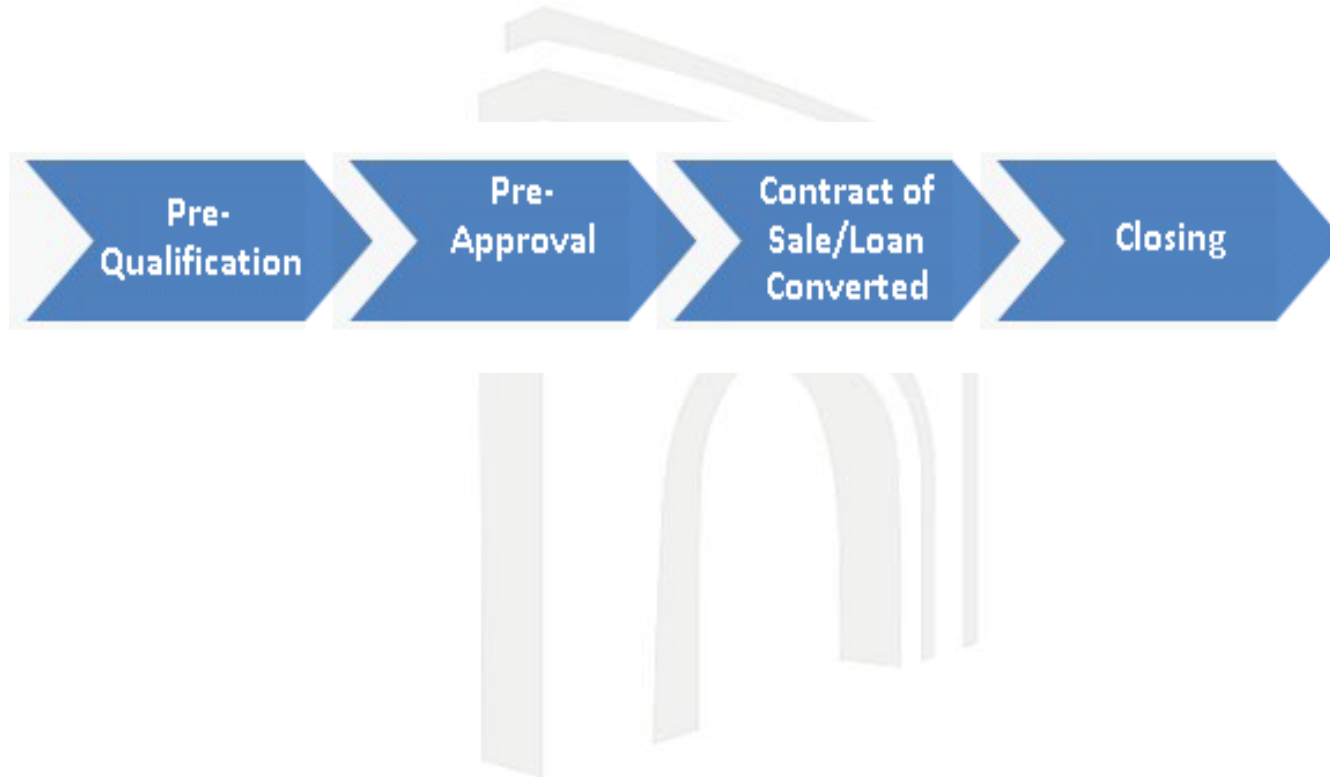
# Home Buying Process

- Assembling your team:
  - Lender
  - Agent
  - Attorney
- Consult with your lender/submit mortgage pre-approval application
- Work with your realtor to find a property
- Make an offer
- The contract process
- Submit board package (Co-ops and Condos only)
- Clear underwriting & title exceptions
- Schedule the closing

# Real Estate Agents

- Agents are a good source of valuable information
- A good agent will assist in determining the market value of a property and developing a bidding strategy
- Choose an agent who works in your target neighborhood or town
- Commission to the buyer's agent typically is paid by the seller

# Mortgage Application Process



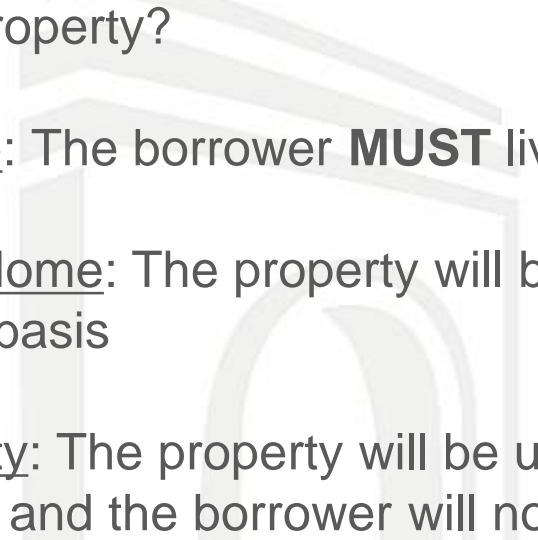
# Mortgage Application Process

## Pre-Qualification vs. Pre-Approval

- **Pre-Qualification** – preliminary determination of what you can afford:
  - Cursory review of your income and assets
  - Does not take into account credit profile
  - Pre-Qualification Certificate provided
- **Pre-Approval** – formal application with all documents submitted:
  - Submission of a mortgage pre-approval application
  - Review of your income & asset documents and credit history
  - Formal pre-approval letter issued
  - Preferred by realtors and sellers

# Mortgage Application Process

## Occupancy

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- Who will occupy the property?
    - Primary Residence: The borrower **MUST** live in the property
    - Second/Vacation Home: The property will be used by the borrower, but not on a regular basis
    - Investment Property: The property will be used as an income producing residence and the borrower will not occupy the property

# How Do You Choose the Right Mortgage?

- A wide selection of mortgages is available in today's market --- narrow the field by considering your situation.
- Your choice of mortgage will be influenced by questions such as:
  - How many years do you expect to live in your new home?
  - Is this your first home, home for your family or your home for when you plan to retire?
  - How much of your monthly income do you feel comfortable spending on your housing expense?
  - Do you anticipate future income changes?



# Fixed Rate vs. ARM Mortgages

Fixed Rate Advantages – a fixed-rate mortgage ensures that your interest rate will remain the same for as long as you have the loan. A fixed-rate mortgage offers you security against rising interest rates and easier budgeting of your monthly debt.

Adjustable-Rate Mortgage Advantages - offer lower initial interest rates. Since initial monthly payments will be lower, you may be able to qualify for a larger mortgage amount. If you plan on being in the property for less than 10 years, an ARM may be right for you.

# Mortgage Application Process

## Other Factors

- How long does the application process take?
  - 1 – 4 Family Homes: approximately 60 days
  - Condos and Co-ops: approximately 90 days
- The more required documentation that can be provided upfront, the faster a closing can take place!

# Mortgage Application Process

## Mortgage Document Requirements

- Employment/Income Info:
  - 1 month of consecutive paystubs
  - Last 2 years W2s
  - Last 2 years tax returns (if applicable)
- Asset Info:
  - 2 most recent complete bank/brokerage statements evidencing enough funds for down payment and closing costs
- Property Info:
  - Fully executed contract of sale & appraisal contact
  - Condo/Co-op documents (if applicable)
- Credit explanations: (if applicable)

# Mortgage Application Process

## Before You Apply

- Establish credit and maintain a good credit rating by ensuring your bills and loans are paid on time
- Save for your down payment - typically 5% to 20% of the purchase price plus closing costs
- PMI will be required with less than 20% down payment
- Assets will need to be in an account for 2 months
- Provide all documentation when applying to avoid delays
- Be cautious when applying for other new loans as your current levels of debt will be assessed as part of the application process

# General Qualifying Information

## 5 C's of Credit

- Credit History – Credit profile and credit scores play a large factor in obtaining a loan. The credit score serves as an indicator of risk, based on your credit history. Generally, the higher the score, the lower the risk. Credit bureau scores are often called "FICO scores" because many credit bureau scores used in the U.S. are produced from software developed by Fair Isaac Corporation (FICO).
- Capacity - Lenders need to determine whether you can comfortably manage your payments. Your past income and employment history are good indicators of your ability to repay outstanding debt. Income type, amount and stability may all be considered. The ratio of your current and any new debt as compared to your before-tax income, known as debt-to-income ratio (DTI), will be evaluated.

# General Qualifying Information

## 5 C's of Credit

- Collateral – A mortgage is a secured loan, meaning the property is pledged as collateral. The value of your collateral will be evaluated, and any existing debt secured by that collateral will be subtracted from the value. The remaining equity will play a factor in the lending decision.
- Capital - Represents the savings, investments and other assets that are used to purchase the property. Capital reserves can help repay the loan if you lose your job or experience other setbacks.
- Conditions – Used to consider the loan's purpose, such as property purchase, mortgage refinance or cash-out refinance. Other factors, such as environmental and economic conditions, may also be considered.

# Summary



Now is a great time to buy a home:

- Mortgage rates are near all time lows.
- Property values have stabilized.
- In many areas, there is a larger selection of homes on the market.

# Consult With An Expert



➤ Meeting and speaking with a mortgage expert is the best way to navigate the mortgage and home buying process.



# Questions?

