The Essential Guide to the

HOME LOAN PROCESS

TBT MORTGAGE
Part of the **Texas Bank and Trust** Company

Our **MORTGAGE PROFESSIONALS** understand the complex choices consumers face when buying, building, remodeling, or refinancing a home and are ready to assist you with all aspects of your financial needs.

This **ESSENTIAL GUIDE TO THE HOME LOAN PROCESS** can assist in answering many of your questions regarding the home loan process.

The Home Loan Process

APPLICATION

Complete the loan application online or with the help of a Mortgage Loan Originator

To apply for a loan, you will need to submit detailed information about your personal finances and the property you wish to purchase. You can apply online @ **www.texasbankandtrust.com/mortgage**.

PRE-QUALIFY

Determine if you will qualify for a mortgage before you begin shopping for a home

Meet with your lender to discuss available loan options. Select a mortgage product that is right for you. Receive a pre-qualification letter you can present to your realtor or prospective seller. View properties, make an offer, and sign the contract.

PROCESSING AND UNDERWRITING

Gather, analyze, and support statements from the application

A TB&T Mortgage Lending Professional will organize the paperwork to ensure all documentation is complete and prepare your application for underwriting. Your lender will perform an in-depth analysis of your credit and employment history as well as the condition and value of the property. They will carefully evaluate the application and documents, assess the risk, and determine the final conditions for your loan to close.

CLOSING AND FUNDING

Review and sign documents to fund the loan and close the transaction

Once all the conditions of the loan have been met, your loan will be sent to closing. You will receive a Closing Disclosure that outlines all the details of the loan THREE days prior to your actual closing at the title company. After signing all your closing documents, the funds will be transferred to the seller and the loan process will be complete.

Who Helps With What?

Mortgage Loan Originator and Realtor Responsibilities

Your Mortgage Loan Originator will…

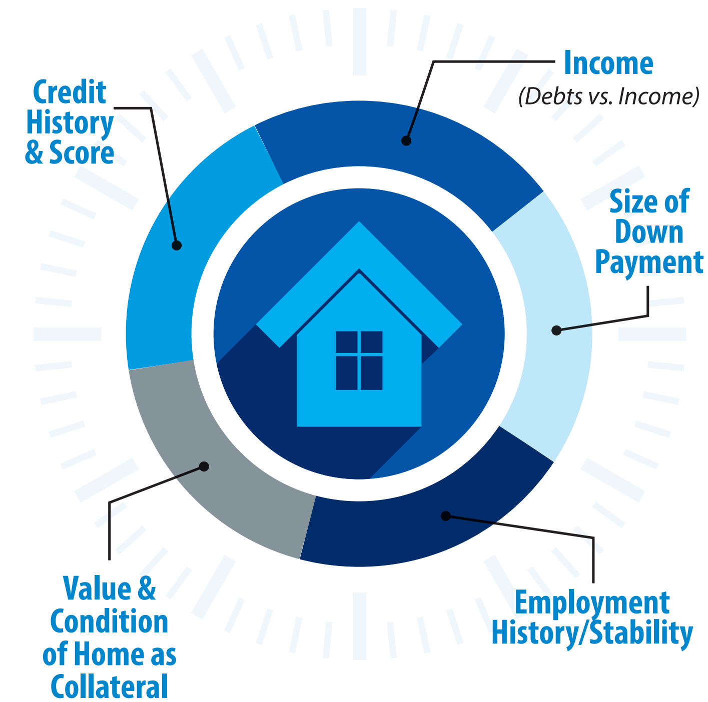
- Schedule an appointment with you to complete the pre-qualification process and review your home financing options and objectives.
- Work with you to collect pay stubs, tax returns, W-2s, bank statements, and other documentation needed to get approved for a loan.
- Review your application to determine what price range you qualify for.
- Provide an official pre-qualification letter (when you are ready to submit an offer). Your realtor will submit the offer and any counter offers.
- Provide the details of the mortgage payments based on the agreed purchase price and previously discussed financial objectives.

Your Realtor will…

- Show you homes for sale within your pre-qualified price range.
- Be available to guide you through questions, concerns, and purchasing the right property.
- Submit a fully executed Sales Contract.
- Give you the keys to your new home at the close of escrow.

Get Pre-Qualified for a Home Loan

The Factors a Lender Evaluates



What are the benefits of being Pre-Qualified?

- A pre-qualification from TB&T signifies to sellers that you are a serious buyer with the ability to purchase their home.
- When competing against other buyers, your pre-qualification becomes a critical component to getting an offer accepted.
- During the pre-qualification process we become familiar with your financial situation and will be prepared to move quickly with a home loan that is tailored to your needs.
- Buyers who get pre-qualified for home financing before they start searching for properties make more educated purchase decisions.
- Buyers pre-qualified by a TB&T mortgage loan originator also get the benefit of working with a lender known for their pro-active strategy to get buyer's offers accepted.

DOs and DON'Ts of the Home Loan Process

- **DO Notify Us of Income Changes**
  If there are any changes from what is documented on your loan application, it is best to tell your lender as soon as possible.

- **DO Keep Documentation of ALL Large Deposits**
  It is important to note those deposits not related to payroll in your bank accounts.

- **DO Pay Bills on Time**
  Stay current on all existing accounts.

- **DO Provide ALL Schedules of Your Federal Tax Return**
  If you have filed an extension , please provide the documentation.

- **DO Provide ALL Pages of Your Bank Statements**
  Even if pages are blank, please send complete statements.

- **DO Start Thinking About Your Insurance Carrier**
  If you have not considered a homeowner's insurance provider, make it a priority.

- **DO Review Your Loan Disclosures in Their Entirety**
  Ask any questions you may have about your loan costs.

- **DO Provide a Detailed Explanation** for accounts to be used for closing and/or any derogatory credit items.

- **DO Let Your Lender Know if You Are Going to be Out of Town**
  Please give notice of any upcoming travel plans during the loan process.

- **DO Keep an Open and Accurate Line of Communication with Your Mortgage Loan Originator**

- **DON'T Apply for New Credit**
  Every time you have your credit pulled by a potential creditor or lender, you can lose points from your credit score. New credit can also bring a credit score down.

- **DON'T Pay Off Collections or Charge-Offs**
  Unless you can negotiate a delete letter, paying collections can decrease the credit score due to the date of the last activity becoming recent.

- **DON'T Take Advantage of Your Credit Cards**
  The best policy is to not max out, over charge, take out cash advances, or even pay off credit cards completely during the loan process.

- **DON'T Consolidate Your Debt Onto ONE or TWO Credit Cards**
  When you consolidate all of your debt onto one card, it appears that you are maxed out on that card.

- **DON'T Use Money Not Accounted for in a Banking Institution**
  Gifted money, 401(k) loans, and credit card advances can hinder your loan process.

- **DON'T Change/Quit Your Job**
  Any kind of job movement before the loan closing can be detrimental to the process.

- **DON'T Co-Sign for a Line of Credit or Loan**
  This additional debt will be included in your debt-to-income ratio.

Understanding Your Credit Score

Part of understanding your FICO® Score means understanding that events like judgments, bankruptcy, and even lost credit cards can impact your credit score for years.

FIVE Factors that Contribute to The Credit Score:

1 | Payment History
2 | Amounts Owed
3 | Length of Credit History
4 | New Credit
5 | Types of Credit Used

DELINQUENCIES (30-180 days) | Can remain seven years from the date of the initial missed payment.

COLLECTION ACCOUNTS | Remain seven years from the date of the initial missed payment that led to the collection (the original delinquency date). When a collection account is paid in full, it will be marked "paid collection" on the credit report.

CHARGED-OFF ACCOUNTS | Remain seven years from the date of the initial missed payment that led to the charge-off (the original delinquency date), even if payments are later made on the charged-off account.

JUDGMENTS | Remain seven years from the date the judgment is filed.

INQUIRIES | Remain two years.

LIENS | City, county, state, and federal unpaid tax liens can remain indefinitely. Paid tax liens remain seven years from the paid date of the lien.

FORECLOSURES | Remain seven years.

CLOSED ACCOUNTS | Closed accounts are accounts that are no longer available for further use. Closed accounts may or may not have a zero balance. Closed accounts with delinquencies remain seven years from the date they are reported closed, whether closed by the creditor or by the consumer, but the delinquency notation will be removed seven years after the delinquency occurred when pertaining to late payments. Positive closed accounts remain ten years from the closing date.

LOST CREDIT CARD | If there are no delinquencies, credit cards that are reported lost will continue to be listed for years from the date the card is reported lost. Delinquent payments that occurred before the card was lost are reported for seven years.

BANKRUPTCY | Chapter 7 bankruptcies remain for ten years from the filing date. Chapter 13 remains seven years from the filing date. Accounts included in bankruptcy will remain seven years from the date they were reported as included in the bankruptcy.

Tips on Maintaining a Good Credit Score

PAYMENT HISTORY |

- Pay your bills on time, every time, always.
- Get current and stay current with all payments.

AMOUNTS OWED |

- Keep outstanding balances on debt low.
- Do NOT close unused credit cards.
- Do NOT open new cards that you do not need just to increase your available credit.

LENGTH OF CREDIT HISTORY |

- Do NOT open new accounts too rapidly. New accounts lower your average account age, which may have an adverse effect on your score.

NEW CREDIT TIPS |

- DO your rate shopping for a given loan within a focused period of time.
- Re-establish your credit history, if you have had problems in the past.
- Note that it is OK to request and check your own credit report.

TYPES OF CREDIT USE |

- Apply for and open new credit only as needed.
- Manage credit cards responsibly.
- Note that closing an account does NOT make it go away.

The Documents Checklist

Applying for a home loan? Here's what you will need:

To expedite the home purchase or refinance process, buyers should provide their mortgage loan originator with the following documents as soon as possible:

PERSONAL INFORMATION |

- ☐ Signed and dated Loan Application
- ☐ Disclosures, complete, and signed
- ☐ Lease agreements for rental properties
- ☐ Two forms of identification, if you are a new TB&T customer

VERIFICATION OF INCOME |

- ☐ W-2 or 1099 forms for the past two years
- ☐ Tax returns (1040) with all schedules for the past two years
- ☐ Pay stubs for the last 30 days
- ☐ *Additional Income:* social security awards letter, pensions, veteran's benefits, alimony, child support, etc.
- ☐ K1's for the past two years
- ☐ Business tax returns for the past two years (all pages)

ASSETS & DEBTS |

- ☐ Bank account statements for the previous two months for all accounts - e.g. checking, savings, 401(k), IRA, stocks, bonds, etc.
- ☐ *If applicable:* Mortgage statements for pre-existing mortgages, property tax bills, hazard insurance declaration page and a recent HOA bill
- ☐ **NOTE:** If you have funds to bring in at closing, they will need to be verified

NEED HELP? |

Contact your Mortgage Loan Originator anytime – we are happy to assist your through the home loan application process.

Closing Costs: Glossary of Terms

These charges usually include a real estate commission, loan fees, closing charges, title insurance premium, hazard insurance, and costs for other services provided during the closing process.

SALES/BROKER'S COMMISSION | The commission is typically a percentage of the selling price of the home and normally paid by the seller. Often, two realtors – the buyer's agent and the seller's agent – and their respective brokerage companies split the commission.

LOAN FEES | These are fees that the lender(s) charges to process, approve, and make the mortgage loan.

LOAN ORIGINATION FEE | Sometimes called a "point" or "discount points," a loan discount is a one-time charge imposed by the lender or broker to lower the interest rate at which the lender or broker would otherwise offer the loan to you. Each "point" is equal to one percent of the loan amount.

APPRAISAL FEE | The charge, which may vary for different properties, pays for a statement of property value for the lender, made by an independent appraiser. The appraiser inspects the house and the neighborhood, and considers sales prices of comparable houses and other factors in determining the value. The appraisal does not, however, necessarily detect or discuss defects in the property or title to the property. Your lender will provide a copy of the appraisal to you after it is completed.

CREDIT REPORT FEE | The cost for a credit report, which shows your credit history. The lender uses the information in a credit report to help decide whether or not to approve your loan and how much money to lend you.

LENDER'S INSPECTION FEE | This charge covers inspections, often of newly constructed housing, made by employees of your lender or by an outside inspector.

INTEREST | Lenders usually require that borrowers pay at the closing the interest that accrues on the loan from the date of funding to the beginning of the period covered by the first monthly payment.

CLOSING SERVICES | The fee for the services performed by the title company or closing agent. Typically, responsibility for payment of this fee is negotiated between the buyer and seller when the sales contract is signed.

PMI (Private Mortgage Insurance) | Mortgage insurance protects the lender from loss due to payment default by the borrower. With this insurance protection, the lender is willing to make a larger loan, thus, reducing your down payment requirements.

HAZARD INSURANCE PREMIUM | The premium payment is for insurance for you and the lender against loss due to fire, windstorm, and natural hazards. The coverage may be included in a Homeowner's Policy which insures against additional risks such as personal liability and theft. Typically the first year's premium is prepaid at closing. The policy may not protect against loss caused by flooding. If your mortgage is federally insured and your property is within a special flood hazard area identified by FEMA, you will be required by federal law to carry flood insurance on your home.

TITLE CHARGES | These may cover a variety of services performed by title companies and others and include fees directly related to the transfer of title and fees for recording, transfer tax, notaries, etc. The borrower may pay all, a part, or none of the cost for owner's and lender's title insurance depending on the terms of the sales contract. A one-time premium may be charged for the lender's title policy which protects the lender against loss due to problems or defects in connection with the title. The insurance is usually written for the amount of the mortgage loan. The borrower will be responsible for all, part, or none of the cost depending on the sales contract.

RECORDING AND TRANSFER FEES | The sales contract determines how fees are split between the buyer and seller. The buyer usually pays the fees for legally recording the new deed and mortgage loan.

We know you will feel right at home with the experienced trusted advisors in our Residential Mortgage Lending Services department.

Our Mortgage Professionals are here to help you with:

Conventional Home Loans

★

Land/Lot Purchase + Interim Construction Loans

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Refinance Loans

★

Remodeling + Home Improvement Loans

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100% First-Time Home Buyer Program Loans

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Government Loans

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Home Equity Loans + Home Equity Lines of Credit

★

Individual Taxpayer Identification Number (ITIN) Mortgage Loan Program

★

Texas State Professional License or Teaching Certificate Mortgage Program Loans

Call on us today to determine the financing option that is right for you.

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