

# 12-Step Home Mortgage Steps

for link and support information, link to: [www.SayHomeBuy.com](http://www.SayHomeBuy.com)

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## **Applicants with a good credit report will be in a stronger position to negotiate best rate and terms**

Your credit report is used by banks and other lending institutions to determine your credit-worthiness. The report can be a factor in a lending institution's decision to approve or decline your mortgage application.

You should review your credit report for any errors before submitting your mortgage application.

- You can find more information by linking to our credit monitoring section: link to [www.SayHomeBuy.com](http://www.SayHomeBuy.com) and click tab *"Quick Reviews : check your credit report"*

Note: applicants with less-than-good credit can still qualify for a mortgage loan. For information, see our less-than-good-credit mortgage options at our home mortgage loan center (link to our mortgage loan center at: [www.PickMyMortgage.com](http://www.PickMyMortgage.com))

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## **Your home purchase should be in the income range that you can afford**

You need to analyze how much house you can afford before blindly submitting an application with too high of a mortgage amount.

- Use our housing calculator for a quick estimate on how much home you can afford.

Note: applicants living in markets where home prices are high will consider minimum-payment mortgage plans to stay within their income affordability range.

link to [www.SayHomeBuy.com](http://www.SayHomeBuy.com) and click tab *"Tools : mortgage calculators"*

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## **The true cost of a mortgage loan includes the loan payment, taxes, insurance and other related charges**

Additional monthly costs such as real estate taxes, hazardous insurance, and other home ownership related fees can add to your total monthly payment and reduce the amount of home you can afford.

Many times buyers ignore these costs when figuring how much of a home they can afford. These costs are considered in your capacity ratios that lenders use to approve your mortgage application:

- housing ratio
- and income ratio (see below).

More information about escrow payments: link to [www.SayHomeBuy.com](http://www.SayHomeBuy.com) and click tab "7-Step Plan : step 4"

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## **Your capacity to repay your mortgage loan is a key factor for lender approval**

Your capacity to repay the mortgage loan is a key factor that lenders use to qualify you for a mortgage loan. These ratios determine the level of debt you can consume based on the amount of income you have.

Lenders use two debt ratios:

1. The "housing" ratio
2. "Debt-to-Income" ratio

Run the numbers to calculate your ratios. You may need to adjust your numbers to stay within the ratios needed for approval.

link to [www.SayHomeBuy.com](http://www.SayHomeBuy.com) and click tab "Tools : mortgage calculators"

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## How much of a down payment do you have?

- Most lenders require at least 5% of the home purchase price plus Private Mortgage Insurance (unless you qualify for government sponsored programs).
- But to avoid Private Mortgage Insurance (PMI), which can add to your total monthly cost, you will need at least 20% down.
- Your down payment can be in the form of cash or the resale equity value of a prior home.
- Analyze your down payment position:  
link to [www.SayHomeBuy.com](http://www.SayHomeBuy.com) and click tab “Tools : mortgage calculators”
- Also consider your available funds that will be needed for closing and settlement. Closing costs can average about 3-7% of the purchase price.

We have more information about closing costs:

link to [www.SayHomeBuy.com](http://www.SayHomeBuy.com) and click tab “7-Step Plan : step 6”

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## So how much up-front cash will you need to close on your mortgage:

1. **cash for a down payment:**  
you need at least 20% of the home purchase price to avoid PMI
2. **cash for closing costs:**  
you should estimate about 3-7% of the home purchase price

Note: having enough money for a down payment and closing costs prevents many first-time home buyers from entering the market. There are 100%+ LTV mortgages that allow buyers to get into homes without the necessary cash on hand. Link to our Mortgage Loan Center for information on zero-down mortgages:

[www.PickMyMortgage.com](http://www.PickMyMortgage.com)

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## **Now let's add up the numbers.**

This will help figure what parameters you need to change to fit within your budget and income ratios (discussed above): link to [www.SayHomeBuy.com](http://www.SayHomeBuy.com) and click tab “*Quick Reviews : 12-step mortgage plan*”

### **Calculation Notes:**

the amount of available cash / equity is the cash you have on hand for your down payment and closing costs. Equity refers to the resale equity value of your existing home if any, that will be available to you once you sell your home.

- Closing costs is calculated as percentage of the estimated purchase price of the home — this percentage can range between 3-7% depending on your location and number of points.
- The American Housing Survey shows that the median taxes paid averaged \$10 per \$1,000 in home value. The property insurance paid averaged \$30 per month.
- You can lookup your property tax assessments by community:  
[www.statelocalgov.net](http://www.statelocalgov.net)

Any percentage LTV that is greater than 80% may require private mortgage insurance, which can add to the total cost of your loan — if your LTV% (calculated below) is greater than 80%, enter 0.005 in the PMI field and recalculate. you can find information about PMI

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## **Loan pre-qualification will strengthen your negotiating position with the seller**

Ask at least one lender to pre-qualify you for a mortgage. There is no obligation on you to obtain a loan from that lender, nor does it obligate the lender to provide a mortgage loan.

The lender will analyze your credit position, current income, and outstanding debts to give you a reasonable estimate of your borrowing amount.

You may begin your pre-qualification search through our national network of lenders and brokers: link to [www.SayHomeBuy.com](http://www.SayHomeBuy.com) and click tab “\$\$\$ Apply”

Note: before you begin your lender search, have on hand the mortgage comparison sheet to keep track of your loan quotes: *attached to this worksheet*

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for link and support information, link to: [www.SayHomeBuy.com](http://www.SayHomeBuy.com)

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**We have a number of important notes that will summarize the mortgage lending business:** (link to our mortgage center for complete info: [www.PickMyMortgage.com](http://www.PickMyMortgage.com))

**mortgage 101:**

review how mortgage loans work and the players in the mortgage lending business

**understanding escrow:**

review the total cost of a mortgage loan and calculate escrow payments

**getting qualified:**

discusses the parameters lenders use to qualify an applicant for a mortgage

**mortgage management:**

discusses how to manage your mortgage loan with tips on prepaying your mortgage early

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**Which mortgage loan fits your financial objectives:**

There are fixed rate loans, adjustable loans, special financing loans, and a number of mortgage loan variations. We have notes on each one of them at our center: [www.PickMyMortgage.com](http://www.PickMyMortgage.com)

**fixed-rate loans:**

fixed 30-Yr and 15-Yr loans

**adjustable rate loans:**

adjustable rate mortgages and notes on the components

**hybrids / combo loans:**

combination of fixed rate and adjustable rates

**interest-only loans:**

pay only interest on your mortgage loan to afford a higher-priced home

**minimum-payment loans:**

where the initial payments are low to help you build equity value

**zero/low down payment loans (100+ plans):**

mortgage loans for homebuyers with limited down payment - closing costs

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## **balloons and other special loans:**

balloon mortgages, pledge-asset mortgages, RIMs, others

## **jumbo mortgage loans:**

non-conventional jumbo loans for expensive homes

## **home construction loans:**

special financing for home construction

## **government loans:**

FHA, VA, and RHS loans

## **less than good credit loans:**

notes for home buyers with less-than-good-credit

## **reversible mortgage loans:**

mortgage equity loans for retired home owners

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## **Mortgage rates change daily ... show watch them carefully**

Sample of the average national weekly rates posted every Thursday by Freddie Mac:  
The quoted rate you see may not be the actual rate you receive.

Your actual mortgage rate will be determined by your overall credit score, your credit ratios, your location, and your negotiation skills to shop best rate.

Search rates and view negotiating steps for best rate and term:

shop rates: link to our mortgage loan center at [www.PickMyMortgage.com](http://www.PickMyMortgage.com)

You are now ready to submit your mortgage application with the confidence to negotiate best product and terms. Three important notes:

1. information needed to finalize your mortgage application: link to [www.SayHomeBuy.com](http://www.SayHomeBuy.com) and click tab "7-Step Plan : step 5"
2. use our lender comparison sheet to shop and compare lender: *attached*
3. submit your request to multiple lenders  
use our nationwide network of lenders to negotiate best rate and term: link to [www.SayHomeBuy.com](http://www.SayHomeBuy.com) and click tab "\$\$\$ Apply"

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## **Once you submit your application,**

compare the offers and terms from multiple lenders. You should have at least 3-4 offers.

- Select 2-3 lenders of your choice and begin negotiating best rate, terms, points, and closing costs. Consider the various mortgage loan products to design a mortgage plan that works for you.
- Depending on your credit strength, you can negotiate a reduction in rate or points, closing costs, terms, penalty clauses, etc. If you have a strong credit rating, lenders will work hard to keep your business.

We have information about negotiating tactics: click for information at [www.SayHomeBuy.com](http://www.SayHomeBuy.com) and click tab “*Quick Reviews : negotiating mortgage rates*”

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**After you select and sign the lending agreement with your lender of choice, your lender (or closing agent) will arrange closing where the title ownership of the home transfers to you.**

We have information about closing and settlement:

click for closing and settlement: [www.SayHomeBuy.com](http://www.SayHomeBuy.com) and click tab “*7-Step Plan : step 6*”



# Mortgage Shopping Worksheet—continued

Lender 1

Lender 2

Name of Lender: .....

mortgage 1

mortgage 2

mortgage 1

mortgage 2

**Other Questions and Considerations about the Loan**

Are any of the fees or costs waivable? .....

**Prepayment penalties**

Is there a prepayment penalty? .....

If so, how much is it? .....

How long does the penalty period last? (for example, 3 years? 5 years?) .....

Are extra principal payments allowed? .....

**Lock-ins**

Is the lock-in agreement in writing? .....

Is there a fee to lock-in? .....

When does the lock-in occur—at application, approval, or another time? .....

How long will the lock-in last? .....

If the rate drops before closing, can you lock-in at a lower rate? .....

**If the loan is an adjustable rate mortgage:**

What is the initial rate? .....

What is the maximum the rate could be next year? .....

What are the rate and payment caps each year and over the life of the loan? .....

What is the frequency of rate change and of any changes to the monthly payment? .....

What is the index that the lender will use? .....

What margin will the lender add to the index? .....

**Credit life insurance**

Does the monthly amount quoted to you include a charge for credit life insurance? .....

If so, does the lender require credit life insurance as a condition of the loan? .....

How much does the credit life insurance cost? .....

How much lower would your monthly payment be without the credit life insurance? .....

If the lender does not require credit life insurance, and you still want to buy it, what rates can you get from other insurance providers? .....