

I wanna  
own a  
home.

An interactive guide to becoming a homeowner.





# Open the door to happiness... and cardboard boxes

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**So you've decided to buy a home - maybe your first home.** You've taken the first step in an exciting journey. Your new home needs to fit your needs and so does your mortgage.

That's where we come in. Together with our mortgage partner, Mortgage Center, we are able to offer you a variety of mortgage loans, no-cost pre-qualification, and great service. For over 20 years, the team at Mortgage Center has helped people to find and finance the home of their dreams. Their mortgage specialists know how to take the uncertainty out of financing, and how to make the process simple and easy to understand.

This booklet will start you on the path to your new home. We'll walk you through the entire process – everything from budgeting to boosting your credit score, and from getting pre-qualified to choosing the right loan.

The Mortgage Center team is ready to help you – every step of the way.

**Together, we'll get you home.**



#### Budget Now for Your After-Purchase Extras

Once you move into your new home, you'll want to make it yours – with new paint, some fresh furniture, new flooring, and maybe some landscaping improvements. Also, if you've been renting, remember to set aside money to purchase outdoor equipment.

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# Types of loans

**At Mortgage Center, we don't believe in one-size-fits-all home loans.** Instead, we've designed a set of loans not available at most banks or credit unions, so you can choose the financing option that's right for you.

## 90% No PMI<sup>3</sup>

With just 10% down you'll avoid monthly expenses, have more buying options and more money on hand for future expenses.

## Fixed-Rate Mortgages<sup>1</sup>

This is a great option if you plan to stay in your home for many years and like to have a consistent mortgage payment.

## Condominium Loans

Condo Loans are available on a wide selection of properties, and come with few restrictions.

## Adjustable Rate Mortgages (ARM)

With an interest rate that moves up and down as the market changes, this loan could offer one of the lowest monthly payments.

## 95% Cash Out<sup>2</sup>

With 5% down you can refinance your existing mortgage and receive cash back.

## FHA

You may qualify if you have less than 20% down, or have less than perfect credit and need a more affordable mortgage.

### Disclosures

Rates included are as of November 14, 2014. Mortgage rates change daily and vary depending on the specific credit terms and property analysis. The assumptions are based on the purchase of a single family, primary residence with no cash out at closing (unless otherwise stated). If the loan to value (LTV) ratio is > 80%, PMI will be added to your monthly mortgage payment. You may still qualify for a loan even if your situation does not match our assumptions. To get more accurate and personalized results, please call 888.429.6908 to talk to one of our mortgage experts.

### Right Choice Home Loan<sup>®</sup>:

The initial payment on a 30-year \$200,000 5-year Adjustable-Rate Loan at 3.5% and 97% loan-to-value (LTV) with a credit score of 680 is \$898.09 with 1 point due at closing. The Annual Percentage Rate (APR) is 4.149%. After the initial 5 years, the principal and interest payment is \$884.19. The fully indexed rate of 3.375% is in effect for the remaining 25 years and can change once every year for the remaining life of the loan. Payment does not include taxes and insurance premiums. The actual payment amount will be greater. Rate is variable and subject to change after 5 years.

### **Golden Jumbo**

Properties that exceed conventional loan limits may qualify for a Golden Jumbo Mortgage.

### **Manufactured Home Loans**

We offer financing for manufactured homes built on a permanent foundation system.

### **Hobby Farm**

Interested in owning horses, raising livestock, growing crops or leasing land? We can help you achieve your dream with a Hobby Farm Loan.

### **Platinum Purchase Mortgage**

Keep your personal savings intact, use a gift or grant for your entire down payment.

### **One-Time Close Construction**

Close on your loan when construction begins, and make interest-only payments until your home is built.

### **Right Choice Home Loan<sup>®1</sup>**

Keep your mortgage payments affordable plus expand your price and property range with 3% down.

#### **95% Cash Out<sup>2</sup>:**

The initial payment on a 30-year \$200,000 5-year Adjustable-Rate Cash-Out Refinance Loan at 3.5% and 95% loan-to-value (LTV) with a credit score of 680 is \$898.09 with 1 point due at closing. The Annual Percentage Rate (APR) is 4.239%. After the initial 5 years, the principal and interest payment is \$884.19. The fully indexed rate of 3.375% is in effect for the remaining 25 years and can change once every year for the remaining life of the loan. Payment does not include taxes and insurance premiums. The actual payment amount will be greater. Rate is variable and subject to change after 5 years.

#### **90% No PMI<sup>3</sup>:**

The initial payment on a 30-year \$200,000 5-year Adjustable-Rate Loan at 3.5% and 90% loan-to-value (LTV) with a credit score of 680 is \$898.09 with 1 point due at closing. The Annual Percentage Rate (APR) is 3.559%. After the initial 5 years, the principal and interest payment is \$884.19. The fully indexed rate of 3.375% is in effect for the remaining 25 years and can change once every year for the remaining life of the loan. Payment does not include taxes and insurance premiums. The actual payment amount will be greater. Rate is variable and subject to change after 5 years.



# Find your dream

## Home Details

Location \_\_\_\_\_

Price \_\_\_\_\_

Bedrooms \_\_\_\_\_ Baths \_\_\_\_\_

Square Feet \_\_\_\_\_ Lot Size \_\_\_\_\_

Year Built \_\_\_\_\_ MLS# \_\_\_\_\_

## Rate It

Neighborhood	★ ★ ★ ★ ★
Close to work	★ ★ ★ ★ ★
Close to schools	★ ★ ★ ★ ★
Shopping	★ ★ ★ ★ ★
Nearby parks	★ ★ ★ ★ ★
Freeway Access	★ ★ ★ ★ ★
Storage	★ ★ ★ ★ ★
Floor Plan	★ ★ ★ ★ ★
Backyard	★ ★ ★ ★ ★
Landscaping	★ ★ ★ ★ ★

Notes \_\_\_\_\_

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## Home Details

Location \_\_\_\_\_

Price \_\_\_\_\_

Bedrooms \_\_\_\_\_ Baths \_\_\_\_\_

Square Feet \_\_\_\_\_ Lot Size \_\_\_\_\_

Year Built \_\_\_\_\_ MLS# \_\_\_\_\_

## Rate It

Neighborhood	★ ★ ★ ★ ★
Close to work	★ ★ ★ ★ ★
Close to schools	★ ★ ★ ★ ★
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Floor Plan	★ ★ ★ ★ ★
Backyard	★ ★ ★ ★ ★
Landscaping	★ ★ ★ ★ ★

Notes \_\_\_\_\_

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## Home Details

Location \_\_\_\_\_

Price \_\_\_\_\_

Bedrooms \_\_\_\_\_ Baths \_\_\_\_\_

Square Feet \_\_\_\_\_ Lot Size \_\_\_\_\_

Year Built \_\_\_\_\_ MLS# \_\_\_\_\_

## Rate It

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Floor Plan	★ ★ ★ ★ ★
Backyard	★ ★ ★ ★ ★
Landscaping	★ ★ ★ ★ ★

Notes \_\_\_\_\_

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# home

Keep track of all the homes you tour and use this worksheet to help you make your final decision.

## Home Details

Location \_\_\_\_\_

Price \_\_\_\_\_

Bedrooms \_\_\_\_\_ Baths \_\_\_\_\_

Square Feet \_\_\_\_\_ Lot Size \_\_\_\_\_

Year Built \_\_\_\_\_ MLS# \_\_\_\_\_

## Rate It

Neighborhood	★ ★ ★ ★ ★
Close to work	★ ★ ★ ★ ★
Close to schools	★ ★ ★ ★ ★
Shopping	★ ★ ★ ★ ★
Nearby parks	★ ★ ★ ★ ★
Freeway Access	★ ★ ★ ★ ★
Storage	★ ★ ★ ★ ★
Floor Plan	★ ★ ★ ★ ★
Backyard	★ ★ ★ ★ ★
Landscaping	★ ★ ★ ★ ★

Notes \_\_\_\_\_

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## Home Details

Location \_\_\_\_\_

Price \_\_\_\_\_

Bedrooms \_\_\_\_\_ Baths \_\_\_\_\_

Square Feet \_\_\_\_\_ Lot Size \_\_\_\_\_

Year Built \_\_\_\_\_ MLS# \_\_\_\_\_

## Rate It

Neighborhood	★ ★ ★ ★ ★
Close to work	★ ★ ★ ★ ★
Close to schools	★ ★ ★ ★ ★
Shopping	★ ★ ★ ★ ★
Nearby parks	★ ★ ★ ★ ★
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Storage	★ ★ ★ ★ ★
Floor Plan	★ ★ ★ ★ ★
Backyard	★ ★ ★ ★ ★
Landscaping	★ ★ ★ ★ ★

Notes \_\_\_\_\_

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## Home Details

Location \_\_\_\_\_

Price \_\_\_\_\_

Bedrooms \_\_\_\_\_ Baths \_\_\_\_\_

Square Feet \_\_\_\_\_ Lot Size \_\_\_\_\_

Year Built \_\_\_\_\_ MLS# \_\_\_\_\_

## Rate It

Neighborhood	★ ★ ★ ★ ★
Close to work	★ ★ ★ ★ ★
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Storage	★ ★ ★ ★ ★
Floor Plan	★ ★ ★ ★ ★
Backyard	★ ★ ★ ★ ★
Landscaping	★ ★ ★ ★ ★

Notes \_\_\_\_\_

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# The step-by-step home loan process: What you need to know

**Mortgage Center has made the financing process easy.** Here's what you can expect at each phase of the approval process.



## Don't Rock the Boat

Change can be a good thing but not during the financing process. Whether you're retired, working for an hourly wage, on salary, on commission, or freelancing, it's best to keep your work status exactly as it is. That's because any change in your employment will likely require more documentation.



## STEP 1 **RESEARCHING**

**Once you're ready to look for a house,** call us to get pre-qualified. We can help you find the mortgage that's right for your budget, your current circumstances, and your future plans.



## STEP 2 **APPLYING**

**Once you have found your dream home and are matched with the perfect mortgage loan,** we will walk you through the application process and pull your credit report.



## STEP 3 **PROCESSING**

**After your application is complete,** we will send you the application package for you to review, sign and return.



## STEP 4 **SCHEDULING**

**When your loan is approved,** our team will work with you and your real estate agent to schedule your closing. The keys are almost in your hand!



## STEP 5 **CLOSING**

**Closing is the final step in the home buying process** – a time when you, the seller, the real estate agents, the lenders, etc. meet to sign documents and disburse funds.

# Upfront costs

**When purchasing a home,** you'll need to budget for a few extra expenses in addition to your mortgage. As a buyer, you'll need up-front cash for these three items:

## 2% Deposit

When you make an offer you'll put down a deposit (or earnest money) that is applied to your down payment.

## 3% Down Payment

The minimum required for a down payment is three percent, but a larger amount is even better. It also gives you immediate equity, which means you own a larger share of your new home.

## 3-5% Settlement Costs

Often referred to as closing costs, these include all sales-related fees such as title insurance, appraisals, taxes, insurance, and points.

# Monthly budget



**This worksheet will give you an indication of your financial health and your readiness to purchase a home.** As a general rule, your total housing expense, including taxes and insurance, should not exceed 33% of your gross income. You also need to consider your total debt-to-income (DTI) ratio, which compares your earnings against monthly obligations. Strive to keep yours at 43% (of your gross monthly income) or less.

## Your debt to income ratio (DTI)

GROSS MONTHLY INCOME (pre-tax income)

Earner #1	\$
Earner #2	\$
Child support (you receive)	\$
Other income	\$
<b>TOTAL</b>	<b>\$</b>

## Monthly housing expenses

(use proposed amounts if buying)

Mortgage payment	\$
Property taxes	\$
Home owners association dues	\$
<b>TOTAL</b>	<b>\$</b>
Percent of income	

## Debts (Monthly Payments)

Proposed housing expense	\$
Car payment/lease	\$
Child support (you pay)	\$
Student loan(s)	\$
Credit card(s)	\$
Home equity loan/line of credit	\$
Other real estate owned	\$
Other (includ. co-signed loans)	\$
<b>TOTAL</b>	<b>\$</b>
Debt to income ratio	

This document is meant for educational purposes and guidelines only. The information provided is not inclusive of Mortgage Center policies and procedures and is subject to change without notice. Other lenders' policies may vary from what is presented here. This document will not be used when considering your application for a mortgage with Mortgage Center. For more information about specific mortgage programs and processes, please contact a Mortgage Center Loan Officer.

NMLS# 282701

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## Your monthly budget

NET MONTHLY INCOME (take home pay)

Earner #1	\$
Earner #2	\$
Child support (you receive)	\$
Other income	\$
<b>TOTAL</b>	<b>\$</b>

## Additional monthly housing expenses

Phone/cable/Internet	\$
Gas/electric	\$
Water	\$
Cell phone	\$
Groceries	\$
Dining/take-out	\$
Gas (car)	\$
Car maintenance	\$
Auto insurance	\$
Life insurance	\$
Medical/dental/vision*	\$
Clothing	\$
Child care/tuition	\$
Recreation/vacation	\$
Entertainment (movies, etc.)	\$
Personal expenses (hobbies, etc.)	\$
Charitable donations/gifts	\$
Misc.	\$
<b>TOTAL</b>	<b>\$</b>
Total debt & expenses	\$

\*not covered by insurance

## Current budget outlook

Total income	\$
Total debt and expenses	\$
<b>DIFFERENCE</b>	<b>\$</b>

# When you'll need some money: A timeline

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**When you're buying a home you'll need to pay for more than just your down payment.** Don't forget to budget for the inspection, application fee and your homeowners insurance. And remember that you'll need to have money after you've bought your home to make any repairs. Here's a timeline of when you'll need to make cash payments.



## About Your Credit Score

When it comes to getting a mortgage loan, your credit score is very important. So when you apply for a loan, one of the first things we'll do is review your credit report. We'll use that report – along with details about your current financial situation – to determine the amount and terms of your loan.

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# Payment stages

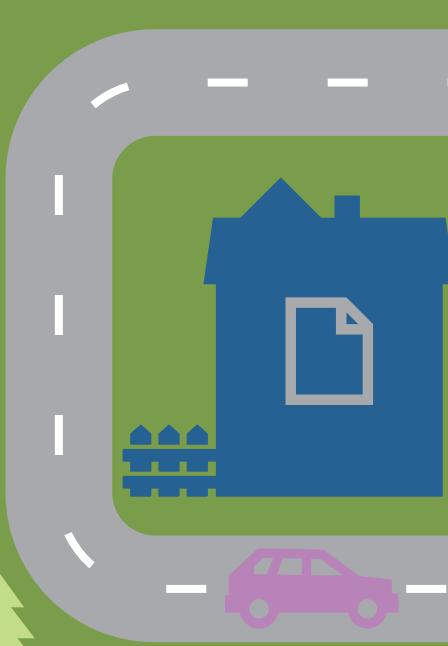
## OF THE HOME-BUYING PROCESS



**STEP  
1**

### Making an offer

You have found your dream home and you want to make an offer. This is when your deposit (earnest money) will be due. Your realtor can guide you on how much earnest money you should offer to get the seller's attention. It is typically around 2% of the purchase price.



**STEP  
2**

### During application

When the seller has accepted your offer you'll pay your application fee. Also, if it's been more than 90 days since you first applied for a loan, an updated credit report may need to be ordered.



**STEP  
3**

### Ready for closing

You'll need to make your homeowners insurance payment the day before your closing date.



**STEP  
4**

### Closing day

This is the day when you'll make your down payment and pay for any remaining closing costs. We'll make sure that your deposit (earnest money) is credited toward your balance.

# Your budget and your debt-to-income (DTI) ratio

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**Debt-to-Income Ratio = Monthly Debt/  
Monthly Income x 100**

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**Mortgage Center uses your Debt-to-Income ratio (DTI)** to find a mortgage loan that fits your budget. To calculate DTI, simply divide your monthly debt by your monthly income, and then multiply by 100.

Use this easy formula to calculate your DTI:

$$\frac{\text{MONTHLY DEBT}}{\text{MONTHLY INCOME}} \times 100 = \text{DTI}$$



For example, if your total monthly debt amounts to \$1,000 and you currently earn \$4,000 per month, your DTI is 25%.

HOW TO FIX YOUR CREDIT

# Boost your credit score



# ► Getting started



## Prequalification

Pre-qualifying allows you to shop for homes in your price range and gives you an advantage in future negotiations.



## Personal Information

You'll need to provide your personal and employment information along with proof of your current financial status.



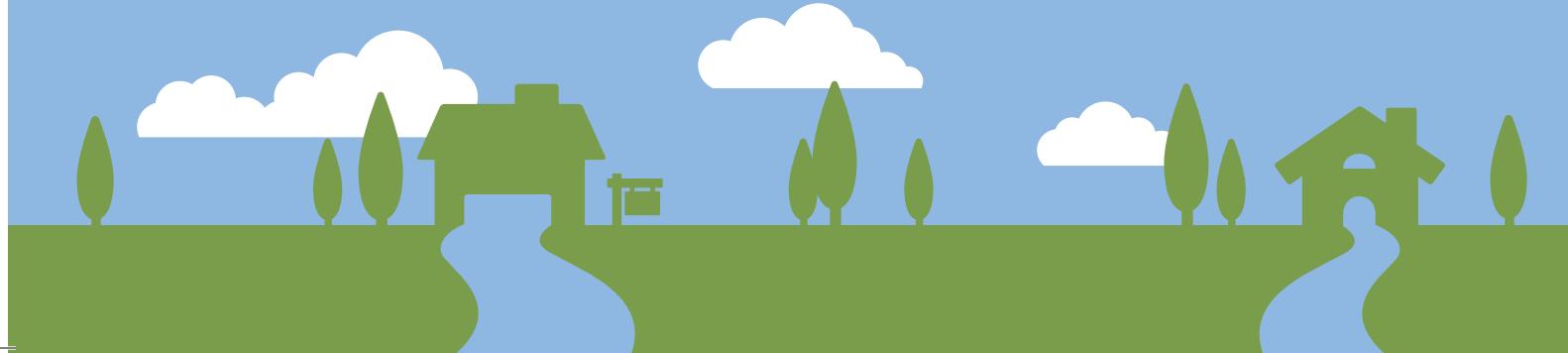
## Real Estate Agent

Realtors save you time by matching you with potential properties and handling the legal paperwork.



## Mortgage Application

Once your offer is accepted, you begin the homeownership process by applying for a mortgage.



# 🚫 What not to do



**Don't** apply for or accept new credit of any kind.



**Don't** pay off collections or charge-offs.



**Don't** close credit card accounts.



**Don't** increase or over charge your credit card accounts.



**Don't** consolidate your debt onto one or two credit cards.



**Don't** do anything that will cause the system to raise a red flag.



# Terms & definitions

**To make sure you know what's being discussed, here are some phrases you're likely to hear during the mortgage loan process.**

## Cash in Reserves

The current balance in your checking or savings account, mutual funds, retirement accounts, and other investments.

## Credit Score

When you apply for a mortgage, we'll review your credit report. Your credit score is based on your current financial condition, experience, and past credit history. To qualify for a mortgage, you'll need to meet minimum credit score requirements. For tips on improving credit score (and reducing your mortgage payment), see page 15.

## Debt to Income Ratio (DTI)

DTI is one of the best ways to determine how much debt you're carrying and how large a mortgage you can afford. Calculating your DTI is easy. Use the budget worksheet on page 14 to determine your ratio.

## Deposit (Earnest Money)

Your deposit (earnest money) is the cash paid to the seller prior to closing. Your deposit is deducted from your total down payment.

## Down Payment

Your down payment is the portion of the purchase price that you will pay in cash. The bigger your down payment, the more affordable your monthly mortgage payment will be.

## Escrow

Each month a portion of your mortgage payment may be placed in an escrow account. The funds are used to pay your real estate taxes, homeowner's insurance and private mortgage insurance. Having an escrow might raise your monthly payment, but you won't have to worry about large bills during the year.

## Fair Market Value

This refers to the price of the home you're looking to purchase. Fair Market Value is the highest price that you, the buyer, would pay under reasonable conditions. It's also the lowest price the seller would accept as payment for their property.

## Flood Insurance

Insurance that protects you from paying for damages to your home caused by flooding or high water. Note: Only properties located within special areas designated by the federal government are required to have flood insurance.

## Good Faith Estimate (GFE)

Your GFE is an estimate of the costs you will have to pay at closing. We'll provide this estimate when you start the application process.

# 10 things you should know

## Lien

A legal hold or claim by a creditor on a piece of property for money that the existing homeowner owes. The property is used as a security for the debt owed to the creditor.

## Loan to Value Ratio (LTV)

LTV is the percentage of the loan to the overall purchase price. It's used to find the loan that best fits your needs. To determine your LTV, divide your loan amount by the price of the home you're purchasing.

## Origination Fee

This fee covers all your loan-processing expenses. In most cases, the origination fee is a percent of your loan amount.

## Points

Mortgage points are an up-front fee that you pay at the time you get your loan. Each point is equal to one percent of your loan amount. Paying for mortgage points at the time you get your loan may decrease your interest rate, which will lower your monthly payment and total interest paid. However, the more points you pay, the more cash you will need to bring to closing.

## Private Mortgage Insurance (PMI)

Rather than having a large down payment, some borrowers choose to purchase private mortgage insurance (PMI). PMI protects your lender if you stop making payments on your mortgage.

## Pre-qualification

Your pre-qualification will determine how much money you'll be eligible to borrow and what homes are in your price range.

## Principal

The principal is the actual balance of a mortgage loan, excluding interest. It also refers to the portion of your monthly mortgage payment that will apply to the balance.

## Settlement Costs

Settlement costs include title insurance, appraisals, taxes, insurance, points, etc., and are due at the closing.

## Title

A title is a written document that proves ownership of a property. In the case of real estate, it's called the title deed and specifically states who has legal ownership of that property. The title deed may also specify who will inherit the property if the legal owner dies.

## Underwriting

We underwrite your loan during the application process. This means that we review your credit history and conduct an in-depth examination of the property you're looking to purchase.

# Know how to report gifts

Just follow these steps to make sure your gift meets all legal requirements:



# How does the gift process work?

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**Are you using a gift as part of your down payment?** Great! A larger down payment means a better loan and a lower interest rate for you.

Gift funds are an acceptable source of funds to use towards closing costs on your purchase provided you meet the minimum down payment requirements for your product type. The donor must be a relative, fiancé or domestic partner. The donor may not have any affiliation with the builder, real estate agent or any other interested party to this transaction. When obtaining gift funds for the purchase of real estate it is very important to document the gift transfer appropriately.

Ready to apply? Call Lake Trust's partner, Mortgage Center, today at **888-429-6908** or visit us online at **mortgagecenter.com/laketrust**.



## Government Issued Photo ID

The donor will also have to provide a front and back copy of his/her government issued photo ID.

# Gift Letter

.....  
Loan Number

.....  
Applicant(s)

.....  
Property Address

The undersigned herewith assert that they will provide an outright gift as described below to assist the recipient in the closing of a real estate loan. The recipient will neither be obligated to repay the principal nor pay interest on this gift at any time.

.....  
Recipient (Borrower's) Name

.....  
Amount of Gift

.....  
Donor Relationship to Recipient

.....  
Date of Gift

.....  
Donor Name (printed)

.....  
Street Address

.....  
City, State, Zip

.....  
Telephone Number

.....  
Signature

.....  
Date Signed

.....  
Donor Name (printed)

.....  
Street Address

.....  
City, State, Zip

.....  
Telephone Number

.....  
Signature

.....  
Date Signed

It is herewith affirmed that I, the recipient of the above captioned gift, will neither be obligated to repay the principal nor pay interest on that gift at any time.

.....  
Borrower Signature

.....  
Date

.....  
Co-Borrower

.....  
Date



You'll find a printable gift letter template online  
at [mortgagecenter.com](http://mortgagecenter.com).

NMLS# 282701

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