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HOMEBUYER'S GUIDE

*Colorado, New Mexico, Arizona and
Texas*



PSd, Ltd. Mortgage
a Bonded, Insured and Licensed
Mortgage Broker

- Builder/Developer/Construction/Lot Loans
- Conventional Fixed/Adjustable
- Jumbo Fixed/Adjustable/Interest Only
- VA

VANCELLEN RAVENSBERG

1988-2009



WE PROUDLY REPRESENT OVER 20 LENDERS
INCLUDING:



GLOSSARY OF TERMS

ARM (Adjustable Rate Mortgage) - A mortgage with regular schedule adjustments to interest and payments tied to an index plus a margin. These vary from lender to lender.

APR (Annual Percentage Rate) - A calculation to express as a percentage the total of the financing charges paid by the borrower to the loan amount. **IT IS NOT YOUR INTEREST RATE.** It is the yield to the lender the first year of your loan. Be careful if it is 2% or more higher than your Note rate. Someone is charging excessive fees.

Assumption of Mortgage—Not usually allowed. Most loans have to be paid off if you sell you home.

Certificate Of Eligibility—Document issued by the Veteran’s Administration evidencing the amount of entitlement a veteran has for use in purchasing a home.

Conventional Loan—Any first mortgage that is not issued by HUD through FHA or VA.

Earnest Money—Funds indicating a serious intent to buy a property. Money is placed into an escrow account at a title company and is subject to forfeiture in the event of a breach of contract by the Buyer. A credit is given on the closing statement in this amount.

FICO Scores—Scores given by a credit reporting agency to provide information to a lender regarding the credit worthiness of a borrower. They are determined by several factors: installment and revolving balances, monthly payments, timely payments, inquiries into credit file.

Interest—Yeah! Tax deductible in many instances. Paid to the lender for the use of their funds.

Prepayment Penalty—Not usually legal on conventional loans...only certain sub-prime loans. A penalty found in the Note issued to the borrower in the event they pay down or pay off the Note prior to a pre-determined date. Usually in terms of 2 or 3 years.

Principal—The amount of the loan established in the Note.



Table of Contents

Homebuyer's Specification List	1
Qualifying for Conventional Loans	8
Calculating Monthly Payments	9
Items Needed for Most Loan Applications	10
Your Loan Broker	11
Glossary of Terms	15

Your Broker, Realtor or Title Officer should provide you with a closing statement, or HUD. This is a detail of all fees charged and collected in relation to the loan. The fees described on page two of the HUD should be very close to the "Good Faith Estimate" provided by your Broker at the beginning or throughout the loan process if programs or rates or lender fees change. The Broker is required by law to provide you with an updated "Good Faith Estimate" if fees change substantially in the process.

If you get to a loan closing and the fees are drastically different or the rate on the Note is not what you requested from the Broker.....DO NOT SIGN! Talk to the Broker, the Realtor and the Title Officer. It could be a typographical error and quickly corrected. If you are not satisfied with the Broker's explanation.....STOP EVERYTHING. Talk to your Realtor.....there may be a way to fix the problem quickly and to your satisfaction. There are some unscrupulous Brokers in the business and you have your rights.

At closing, you will sign a Note, Mortgage/Deed of Trust, and several other instruments required by the lender. An escrow account will be established for your monthly hazard insurance premium and property taxes. The lender will make these payments for you when they become due in the future.

The funds are then distributed by the lender to the title company for final disbursement to all parties. You will need the following at closing: driver's license or other photo identification, and cashier's check for the balance due at closing. The title officer will also ask you to re-sign the completed and corrected loan application. It is strictly a "snap-shot" of where your finances, age, etc. were at the time of the loan application. DO NOT disclose the price you paid for the home to your County Tax Assessor. This is a non-disclosure state and the information is private. Make the Tax Assessor do his or her job....don't do it for them.

The process of qualifying and being approved for a loan in these times has become streamlined and automated. It should be a pleasant experience for all parties involved. The only stupid question is the one that never gets asked. Please ask!

YOUR LOAN BROKER

could prevent you from being able to qualify to purchase a home.

PLEASE DO NOT COMMIT LOAN FRAUD!!! If you suspect your Mortgage Broker of committing loan fraud....get out of that office immediately and report them to the Attorney General's office or the State Licensing Bureau. In rare instances, your W2's, pay stubs, verifications of funds, employment, and mortgage or rent payments will be re-verified by the lender after you close your loan. If you are found guilty of committing loan fraud, your loan will be called immediately and the lender could press Federal charges.

The Broker and Realtor will work closely with the Title Insurance Officer to order and review: a property survey, title insurance binder, and any other items that could affect the title insurance placed on the property.

Homeowner's Insurance will be required to cover the property and loan in the event of a loss by fire, wind, vandalism, liability, etc. The best place to start is with your current insurance carrier for your auto, home or liability needs. Many times, you will be offered a discount if you package your home and auto in the same policy or with the same carrier. Sometimes the discount can save you 20% or more! WOW! If you are unhappy with your current insurance carrier, your Broker or Realtor can provide some excellent referrals. Just call and ask!

Sometimes property is located in a Flood Zone. Maps have been drawn showing areas needing flood insurance. The appraiser will also provide a map in the appraisal if they find the property is in a Flood Zone. Flood Insurance will be required by the lender. It can be expensive and takes extra time to get issued. Do not hesitate to contact an insurance carrier if your home is found to be in a Flood Zone.

Your Realtor will advise the Broker of inspections that are required or requested during the process. Many times, the lender will require copies of the inspections prior to their final approval. Please....it is so important to work with a reputable Realtor when it comes to inspections. They are working to protect you....please ask questions. Most lenders require a termite inspection on all properties. If the



HOMEBUYER'S SPECIFICATION LIST

Property Address: _____

Subdivision/Legal: _____

of Stories: _____ # of Bedrooms _____ # of Bathrooms _____

Family Room _____ Formal Dining _____ Formal Living _____

Study _____ Utility Room _____ Garage _____ Openers _____

Appliances: Gas Electric

Oven _____ Disposal _____ Fireplace _____

Range _____ Microwave _____ Refrig _____

Dryer _____ Washer _____ Dishwasher _____

Heat _____ Ceiling Fans _____ Compactor _____

Cooling _____ Alarm-Local _____ Central _____

Fenced Yard _____ Pool _____ Spa _____ Cul De Sac _____

Carpet Color _____ Interior Colors _____

Exterior _____ Exterior Colors _____

Special Features & Notes _____

List Price _____ Offer _____

ITEMS NEEDED FOR LOAN APPLICATION

The application process can be quite detailed and time-consuming. The need for accurate information is vital if the process is to go smoothly.

In order to speed up the process, please bring the following items with you to your appointment:

1. Name, address, and phone numbers for all employers for the past two years if applicable.
2. Last two years' W-2 IRS withholding forms.
3. Last two years' 1040 IRS forms if self-employed, paid commissions, or 1099 employees. ALL PAGES PLEASE
4. Most recent 2 paycheck stubs to cover 30 days. The stubs should show your year-to-date earnings..
5. More information will be available programs at the time of the appointment if you are unable to provide employment data..
6. Name, address, account number, and phone number for your existing mortgage company or landlord covering your residence for the past 2 years.
7. Monthly installment/revolving credit payments and balances.
8. Two most recent checking/savings, investment, and retirement statements. ALL PAGES PLEASE.
9. Amount of your monthly child support and alimony payments.
10. Copy of your divorce decree, if applicable.
11. If this is going to be a loan guaranteed by the Veterans Administration, the Certificate of Eligibility and a copy of the veteran's Form DD-214 will be required.
12. Copy of your driver's license to satisfy the Patriot Act.

*****PLEASE NOTE*****

All information collected is kept under the strictest of confidence and kept under lock and key. If originals are used, we will make copies and return the originals to you at the time of closing. If you are unable to find any of the above documents, we can help!

HOMEBUYER'S SPECIFICATION LIST

Property Address:_____

Subdivision/Legal:_____

of Stories:_____ # of Bedrooms_____ # of Bathrooms_____

Family Room_____ Formal Dining_____ Formal Living_____

Study_____ Utility Room_____ Garage_____ Openers_____

Appliances: Gas Electric

Oven _____ Disposal_____ Fireplace_____

Range _____ Microwave_____ Refrig_____

Dryer _____ Washer_____ Dishwasher_____

Heat _____ Ceiling Fans_____ Compactor_____

Cooling _____ Alarm-Local_____ Central_____

Fenced Yard_____ Pool_____ Spa_____ Cul De Sac_____

Carpet Color_____ Interior Colors_____

Exterior_____ Exterior Colors_____

Special Features & Notes_____

List Price_____ Offer_____

QUALIFYING FOR CONVENTIONAL LOANS

PART A

1. Monthly Gross Income (before taxes) (A) _____
(Divide annual by 12 or multiply weekly by 4.33)
2. Take 32% of (A) with 10%+ down X 32% or 28%
Or 28% of (A) with 5-10% down (B) _____
3. (B) represents what the lender will allow for principal, interest, taxes and insurance. This is a rough estimate and other factors can and will be considered when approving your loan.
4. Est. property tax per year divided by 12 _____
Est. Insurance \$7.00/1,000 on house) divided by 12 + _____
TOTAL (C) _____
5. Subtract (C) from (B) (D) _____
Number represents amount left for Principal and Interest
6. Turn to next page to see current rates of interest and amounts of mortgage
_____ % Interest for _____ years _____

PART B

1. Figure (A) above (E) _____
2. Take 43% of (e) with 10%+ down x 43% or 40%
Or 40% with 5-10% down (F) _____
3. (F) represents what the lender will allow for principal, interest, taxes and insurance. This is a rough estimate and other factors can and will be considered when approving your loan.
4. Monthly Debts

LENDER	BALANCE	MO. LEFT	MO. PMT
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
5. Total monthly pmts plus Part A (C) _____
6. Total insurance, taxes & monthly debts (G) _____
7. Subtract (G) from (F). Results in amount

CALCULATING YOUR MONTHLY PAYMENT

LOAN TERM IN YEARS LOAN TERM IN YEARS

RATE	15	30	RATE	15	30
4.00	7.40	4.77	8.00	9.56	7.34
4.25	7.52	4.92	8.25	9.70	7.51
4.50	7.65	5.07	8.50	9.85	7.69
4.75	7.78	5.22	8.75	9.99	7.87
5.00	7.91	5.37	9.00	10.14	8.05
5.25	8.04	5.52	9.25	10.30	8.23
5.50	8.17	5.68	9.50	10.45	8.41
5.75	8.30	5.84	9.75	10.60	8.60
6.00	8.44	5.99	10.00	10.75	8.78
6.25	8.57	6.16	10.25	10.90	8.97
6.50	8.71	6.32	10.50	11.06	9.15
7.00	8.99	6.65			
7.25	9.13	6.82			
7.50	9.27	6.99			
7.75	9.41	7.16			

CALCULATING MONTHLY PAYMENTS

Divide the proposed loan amount by 1,000 and then multiply by the factor for either 15 or 30 years.

This is the monthly principal and interest payment. In addition, the monthly payment for taxes and insurance will need to be included to arrive at the total monthly payment.

EXAMPLE:

\$100,000 loan at 7% for 30 years.
 P&I = \$665.00 (100 x 6.65)
 T&I = \$137.50 est.
 TOTAL = 802.50/mo.