

PRECISION'S HOMEBUYER GUIDE



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Precision Home Loans, NMLS #271603, Licensed by the CA Department of Financial Protection and Innovation under the Residential Mortgage Lending Act.

MEET YOUR HOME PURCHASE TEAM

Congratulations on your decision to purchase a home!
We're here to guide you through the process to make it a pain free one and keep you informed every step of the way.

Each of these professionals will play a part in helping make your dream home a reality.

REAL ESTATE AGENT

Your real estate agent will listen to your needs when searching for a home, present properties that fit your criteria, and provide objective information to help you make an informed decision. When making an offer, they will help negotiate the price and give industry insight to make a reasonable offer. Your agent will also arrange inspections and guide you through important paperwork.

INSURANCE AGENT

Before your loan can be funded, you will need to provide proof of a homeowner's insurance policy. Your insurance agent will ensure that you have sufficient coverage. Requirements in each area differ, so your insurance agent will help you find a policy to fit your needs.

LOAN OFFICER

Your loan officer will guide you through your loan process. They will help you get pre-qualified and determine how much you can borrow. Your loan officer will explain loan options and collect all necessary documents from you to help fund your loan. Your loan officer is here to make your loan process an enjoyable one.

SETTLEMENT AGENT

Your settlement agent is an objective third party that is involved in the real estate transaction. They make sure all contract requirements are completed prior to money transfers. A settlement agent will also notify the county of the property transfer.

TITLE COMPANY

The title company performs preliminary searches of the property, buyer and seller names, and tax records.

HOME INSPECTOR

You have the option of obtaining a home inspection performed by a professional home inspector. The home inspection will reveal any potential problems.

THE APPRAISER

The appraiser is responsible for determining the value of the home. There are specific criteria that they use, such as comparing it to other similar homes sold in the area.

THE LOAN PROCESS

PRE-QUALIFICATION/INTERVIEW

- APPLICATION INTERVIEW
- LENDER OBTAINS NECESSARY DOCUMENTS

ORDER DOCUMENTS

- CREDIT REPORT, APPRAISAL OF PROPERTY, EMPLOYMENT VERIFICATION, MORTGAGE OR RENT, FUNDS TO CLOSE, LANDLORD RATINGS, PRELIMINARY TITLE REPORT

DOCUMENTATION

- SUPPORTING DOCUMENTS RECEIVED
- LENDER CHECKS FOR ISSUES
- REQUESTS ARE MADE FOR ANY ADDITIONAL ITEMS OR DOCUMENTATION

LOAN SUBMISSION

- LOAN PACKAGE IS ASSEMBLED BY YOUR LOAN PROCESSOR AND IS SUBMITTED TO AN UNDERWRITER FOR REVIEW. ADDITIONAL DOCUMENTS MAY BE REQUESTED.

LOAN APPROVAL

YOU ARE NOTIFIED OF LOAN APPROVAL AND ANY ADDITIONAL NECESSARY CONDITIONS

DOCUMENTS PREPARED BY LENDER

- LOAN DOCUMENTS ARE PREPARED AND SENT TO THE SETTLEMENT AGENT. BORROWERS AND SELLERS SIGN DOCUMENTS.
- BORROWERS AND SELLERS COME IN FOR FINAL SIGNATURES

FUNDING

- LENDER REVIEWS THE LOAN DOCUMENTS AND MAKES SURE THAT ALL CONDITIONS HAVE BEEN MET.
- FUNDS ARE SENT TO THE TITLE COMPANY.

RECORDING OF DOCUMENTS

- SETTLEMENT AGENT SENDS THE DEED OF TRUST SECURING THE PROPERTY TO THE COUNTY RECORDER.
- FUNDS ARE DISBURSED TO APPROPRIATE PARTIES
- ESCROW IS OFFICIALLY CLOSED

CONGRATULATIONS ON FUNDING YOUR DREAM HOME!

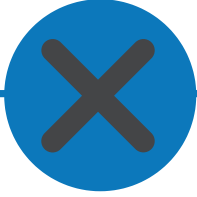
FOR MORE DETAILS REACH OUT TO YOUR LOAN OFFICER TODAY

NOTE:

THE "DON'TS" LISTED HERE DO NOT ALWAYS DISQUALIFY BORROWERS, BUT THEY CAN POTENTIALLY LENGTHEN THE LOAN PROCESS.

DO'S AND DON'T'S

DURING YOUR
LOAN PROCESS



Don't make large bank deposits. If you make a large bank deposit, save copies of all paperwork.



Stay current on all payments including credit card, car, student loans, and other debts.



Keep copies of all financial documents including W-2's, tax returns, check stubs, rental agreements, etc.



Don't make a career move. We will need to verify your employment. Notify your loan officer of any employment changes



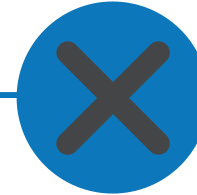
Don't close credit accounts.



Maintain or improve your credit score.



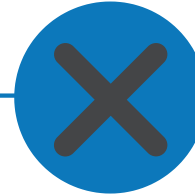
Wait to make any major purchases (cars, etc.) until after your loan is funded.



Do not keep funds in cash or in an overseas account if you plan on using them for a down payment or closing costs.



Ask donors for gift funds ASAP if being used for down payment. Have the funds sent to your settlement agent



Don't apply for new credit lines. Multiple inquiries may hurt your score.

THESE ACTIONS SHOULD BE AVOIDED AFTER GETTING PRE-APPROVED

FOR MORE DETAILS REACH OUT TO YOUR LOAN OFFICER TODAY



PRECISION'S STEP BY STEP BUYERS GUIDE

GETTING PRE-APPROVED

This will determine how much home you can qualify for based on your credit and income. Your loan officer will review your credit report, assets, liabilities and income.

A pre-approval shows a seller that you are serious when making an offer. Getting pre-approved is easy and free. Your loan officer will make a thorough investigation into your credit history, credit score, assets, liabilities, income, etc. Try to provide as much information as possible to the loan officer so they can make the best assessment of your financial situation.

It is important to note that a pre-approval is not a commitment to lend. Talk to your loan officer today to get pre-approved.

FINDING A REAL ESTATE AGENT

We recommend utilizing the assistance and professional experience of a real estate agent during your home buying process.

Your real estate agent will listen to your needs when searching for a home, present properties that fit your criteria, and provide objective information to help you make an informed decision. When making an offer, they will give industry insight and will help negotiate a reasonable price. Your agent will also help to arrange inspections.

MAKING AND ACCEPTING AN OFFER

So you've found your dream home! Now it's time to make an offer.

Your official offer is a written proposal that includes the initial down payment, loan amount, down payment and your offer price. It will also include other terms or conditions. The seller may accept the offer, make a counter-offer or reject the offer.

Your real estate agent will be a key player in guiding you through the process of making a competitive offer.



PRECISION'S STEP BY STEP BUYERS GUIDE

EARNEST MONEY DEPOSIT (EMD)

An Earnest Money Deposit (EMD) accompanies your offer for a property. Earnest money is a good faith deposit that is applied to the down payment, but should not be confused with a down payment. The check is made payable to a settlement agent and shows you are serious about your offer.

In California, for example, deposits are typically 1 to 3 percent of the sales price. Keep in mind that the amount of your EMD should depend on your local marketplace.

DISCOUNT POINTS

Points let you make a tradeoff between your upfront costs and your monthly payment. You pay more upfront, but you receive a lower interest rate and therefore pay less over time. Points can be a good choice for someone who knows they will keep the loan for a long time. Each point equals one percent of the loan amount. For example, one point on a \$100,000 loan would be one percent of the loan amount, or \$1,000. Points don't have to be round numbers.

A loan with one point should have a lower interest rate than a loan with zero points, assuming both loans are offered by the same lender and are the same kind of loan. For example, the loans are both fixed-rate or both adjustable-rate, and they both have the same loan term, loan type, same down payment amount, etc. The same kind of loan with the same lender with two points should have an even lower interest rate than a loan with one point.

INSPECTIONS

Home inspections are an important part of the home buying process and are typically a part of the purchase agreement. They occur after the purchase agreement has been signed because often times the purchase agreement will contain a home inspection condition. Defects identified in the home inspection may be sufficient reason for the buyer to cancel the purchase. Although they are NOT a requirement everywhere, they are STRONGLY suggested.

The buyer is in charge of hiring a home inspector. Your real estate agent can typically recommend one to you.



PRECISION'S STEP BY STEP BUYERS GUIDE

CONTINGENCIES

Purchase agreements often contain contingencies which give the homebuyer a way to back out of the agreement.

Most purchase agreements are contingent upon a satisfactory home inspection and mortgage financing approval. There are other types of contingencies as well.

ESCROW & TITLE

Escrow companies act as a neutral third party between buyers and sellers, and coordinate the overall transaction. Escrow companies order title reports and title insurance from the Title Company.

The Escrow Company collects and prepares loan documents and draws up the legal documents. They also collect funds from the buyer and the lender and ensure funds are distributed properly. Depending on your area, your escrow and title company may be the same.

IMPOUND ACCOUNTS

An escrow account, sometimes called an impound account depending on where you live, is set up by your mortgage lender to pay certain property-related expenses. The money that goes into the account comes from a portion of your monthly mortgage payment. An escrow account helps you pay these expenses because you send money through your lender or servicer, every month, instead of having to pay a big bill once or twice a year.

Impound accounts are required for FHA, VA and USDA loans and for most loans if the down payment is less than 10% of the purchase price.

FOR EXAMPLE:

IF PROPERTY TAXES ARE
\$6,000 PER YEAR, AND
HAZARD INSURANCE
IS \$1,000 PER YEAR, A BUYER
WOULD HAVE A TOTAL OF
\$7,000 TO DIVIDE INTO
TWELVE MONTHLY
PAYMENTS OF \$583 PER
MONTH.

BASICS OF INSURANCE

MORTGAGE INSURANCE

TYPICALLY, BORROWERS MAKING A DOWN PAYMENT OF LESS THAN 20 PERCENT OF THE PURCHASE PRICE OF THE HOME WILL NEED TO PAY FOR MORTGAGE INSURANCE.

MORTGAGE INSURANCE ALSO IS TYPICALLY REQUIRED ON FHA AND USDA LOANS. MORTGAGE INSURANCE WILL BE INCLUDED IN YOUR TOTAL MONTHLY PAYMENT, YOUR COSTS AT CLOSING OR BOTH. MORTGAGE INSURANCE PROTECTS THE LENDER IN THE EVENT THAT YOU FALL BEHIND ON YOUR PAYMENTS.

1. Mortgage insurance for a conventional loan is called private mortgage insurance and rates vary.
2. Mortgage insurance on FHA loans is more costly than private mortgage insurance. The rate varies based on down payment amount. The upfront cost may be rolled into your loan amount.
3. Mortgage insurance on USDA loans is paid at closing and as part of your monthly payment. The upfront portion may be rolled into your loan amount.
4. VA guarantee replaces mortgage insurance but there is no monthly premium. The upfront funding fee is based on many different variables and can be rolled into your loan amount.

HOMEOWNERS INSURANCE

WHEN BUYING A NEW HOME, OR REFINANCING, YOUR MORTGAGE LENDER WILL REQUIRE PROOF OF HOMEOWNER'S INSURANCE COVERAGE INSURING:

1. Homeowner's insurance pays for losses and damage to your property if something unexpected happens, like a fire or burglary.
2. Standard homeowner's insurance doesn't cover damage from earthquakes or floods, but it may be possible to add this coverage.

POLICIES AND PROTECTIONS DIFFER, SO YOU WANT TO BE SURE TO FIND THE RIGHT PROTECTION FOR YOUR HOME AT A REASONABLE PRICE. THE RIGHT POLICY FOR YOU WILL DEPEND ON YOUR HOME, AND HOW MUCH COVERAGE YOU FEEL IS NECESSARY.

THE COVERAGE IS TYPICALLY DETERMINED IN CONJUNCTION WITH THE INSURANCE AGENT AND MUST BE SUFFICIENT TO INSURE THE VALUE OF THE IMPROVEMENTS.

SIGNING DOCUMENTS

BELOW IS A LIST OF ITEMS YOU WILL NEED AT YOUR APPOINTMENT TO SIGN LOAN DOCUMENTS



CASHIERS CHECK

Obtain a Cashier's or Certified Check made payable to the settlement agent in the amount indicated by your escrow officer.

The check must be from the bank that you were qualified with. You must also bring in the receipt for the check.



IDENTIFICATION

Please bring unexpired identification in order for your signature to be notarized. Valid ID includes Driver's License, Passport, or State Issued ID Card



LENDER'S REQUIREMENTS

You must satisfy your lender's requirements prior to closing.

CLOSING COSTS

BELOW ARE TYPICAL CLOSING COSTS ASSOCIATED WITH THE HOME BUYING PROCESS.

APPRAISAL FEE

An independent professional will give the lender an estimate of the homes' market value. You are entitled to a copy.

ESCROW AND TITLE FEES

Fees charged by the settlement agent and/or title insurance company for coordinating the closing and preparing the documents for signing.

TITLE INSURANCE PREMIUMS

Title insurance policies can provide protection if someone sues you and says they have a lien against your home. Lenders required a Lenders Title Insurance policy which protects the loan. You may want to purchase an Owner's Title Insurance policy which protects your financial investment.

RECORDING FEES

Fees assessed by the County Recorder's office for recording documents associated with the transfer of the property.

TRANSFER TAXES

The city or county may charge a fee to transfer title to the property.

HOMEOWNER'S INSURANCE

Fee paid to an insurance agent of your choice to insure your property against damage by fire, wind or storm damage.

MORTGAGE INSURANCE

Some loans require that you obtain mortgage insurance which protects the lender in the event that you default on your loan.

PREPAID INTEREST

The interest you pay before the first scheduled loan payment. The amount will vary depending on the day of the month your loan closes.

PROPERTY TAXES

Property taxes will need to be paid, if due. The amount is determined by the payment due date and will be split between the buyer and the seller depending on the due date.

INSPECTION FEES

It is a good idea to obtain property inspections, such as a home, pest or roof inspection.

HOMEOWNERSHIP PERKS



CREATE FINANCIAL WEALTH

Owning your own home may be a great way to create equity for the future and provide stability and security for you and your family. Your home is a family asset to pass on to future generations.

INVESTING FOR RETIREMENT

Your home is a valuable asset that can help fund retirement. There are ways to utilize your home equity to generate retirement income. Talk to me today to learn more.

TAX BENEFITS

You may be able to deduct the interest on your mortgage and property taxes. These tax savings may offset a portion of the cost of owning your home.

LOW DOWN PAYMENT OPTIONS TO HELP YOU CREATE A LONG TERM INVESTMENT

Talk to me today to learn more about lower down payment options.



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USDA FINANCING

ZERO DOWN PAYMENT

The U.S. Department of Agriculture (USDA) loan guarantee program helps home buyers in designated areas deemed rural with special financing terms:

GENERAL REQUIREMENTS

- » Property must be in a designated area approved for the USDA program
- » Household members must not earn more than 115% of area median income
- » Buyers must be approved for the mortgage payment including property taxes, home owners' insurance and the annual guarantee fee

USDA-GUARANTEED HOME MORTGAGE BENEFITS

- » No down payment required
- » Not limited to 1st-time home buyers
- » 100% financing* + required guarantee fee
- » Flexible credit and underwriting terms
- » 30-year fixed rate terms

*Available to qualified buyers

Apply today! Pre-approval is quick and there's no commitment required.
Call for details!



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Down Payment Doesn't Have to Stop You...

Home buying may be easier than you think!

0% Veterans Administration (VA)

- 100% financing for veterans and U.S. military personnel
- Assistance with borrower debt and closing costs is permitted
- Limited closing costs

0% U.S. Department of Agriculture (USDA)

- No down payment required, flexible credit and underwriting terms
- Not limited to 1st-time home buyers
- Property must be in a designated area

3.5% Federal Housing Administration (FHA)

- Down payment and other required funds may be gifts
- Flexible credit review
- Sellers can help with closing costs
- Fixed or adjustable rates

Conventional financing is also available with a down payment as low as 3%. It's also possible to get seller assistance with closing costs on some programs!

WHAT'S YOUR SITUATION AND WHAT'S YOUR OPTIONS? LET'S FIND OUT!



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WHAT'S THE BEST FIT FOR YOU?

CONVENTIONAL VS FHA FINANCING

There are different kinds of low down payment mortgages to help people like you get into homes - conventional and government options are available.

CONVENTIONAL

- » Down Payments as Low as 3%
- » Mortgage Insurance Can Be Eliminated Once Loan-to-Value Reaches 80%
- » No Mortgage Insurance Required with 20% Down Payment
- » Employment, Income and Other Documentation is Required

FHA

- » Down Payment as Low as 3.5%
- » Flexible Credit and Underwriting Guidelines
- » Mortgage Insurance Required for Life of the Loan with Down Payments Below 10%
- » Available 2 Years After Chapter 7 Bankruptcy, 3 Years After Foreclosure
- » Property Requirements Apply

Both loan types allow seller-paid closing cost

We can help you determine which program makes the most sense for you!



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