



# Your Step-By-Step Guide to Buying a Home



# Are you thinking about buying a home?



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- Stay up-to-the date on the latest changes in mortgage laws, lending practices, and technology.
- Offer the best rates, pricing, and speed of application.
- Provide a wide variety of programs geared to first-time home buyers.



### Mortgage Bankers and Brokers Association of New Hampshire, Inc.

PO Box 6  
Weare, NH 03281-0006  
Tel (603) 529-5001  
Web: [www.mbba-nh.org](http://www.mbba-nh.org)  
Email: [info@mbba-nh.org](mailto:info@mbba-nh.org)



# CONGRATULATIONS!

You have taken the first step toward purchasing a home of your own.

A member of the Mortgage Bankers and Brokers Association of New Hampshire, Inc. (MBBA-NH) has provided you with this guide in order to help you through the home buying process.

MBBA-NH is a non-profit organization that promotes the highest principles of the mortgage banker and broker industry in New Hampshire. Our membership includes mortgage bankers, mortgage brokers, appraisers, title companies, credit reporting agencies, private mortgage insurance companies, title insurance companies, etc.

Members who are specialists in various areas of the mortgage industry have come together to produce this guide for first-time home buyers and anyone with questions regarding the home buying process.

Buying a home can sometimes seem to be a long and confusing process. Your mortgage professionals are dedicated to keeping you well informed throughout the process until you are holding the keys to your new home. This guide is a road map to keep you on course.

Keep this guide with you throughout your home buying experience. It is divided into subjects that are listed in chronological order. Use the directory in the back to record the important contact information of the persons who will help you through the mortgage process. Also be sure to refer to the glossary of common mortgage terms.

Using this guide as a reference tool will certainly complement the in-depth knowledge of your mortgage professional. There are thousands of loan programs available; each program requires different qualifications. Please keep in mind that every home purchase is unique and that some of the information in this guide may not apply to your individual situation. Always address any questions you may have directly to your loan originator.

Congratulations, again, for taking the first step.

You will be home soon!

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## General Information

- Social Security numbers and second proof of identification for all applicants.
- Addresses, phone numbers, and names of landlords for a two-year history.
- If you pay or receive alimony or child support, a complete copy of your divorce decree.
- Proof of receipt of alimony and/or child support, if applicable.

## Employment Information

- Names, addresses, and dates of employment for a two-year work history.
- Most recent paystub, showing year-to-date earnings.
- Most recent two years W2's or 1099's.
- If you have recently graduated, a copy of diploma or school transcript.
- If you are retired or disabled, a copy of your Social Security Award Letter or Statement of Retirement Benefits.
- Written explanation for any gaps during your work history over the past two years.

## Assets

- Three months complete bank statements.
- Most recent statements for any investments and/or retirement accounts.
- Written explanation for any large deposit within the past three months.

## Liabilities

- Complete list of all open loans or credit card accounts with account numbers and balances.
- Letter of explanation for any slow credit payments.
- Proof that any judgments or collections are paid.
- If you have filed bankruptcy within the last seven years - a complete copy of your bankruptcy petition and discharge papers.

# THE MORTGAGE PROCESS

In today's fast paced housing market, understanding the mortgage process, being pre-approved, and having the ability to react quickly, is key to finding the right mortgage and home for you. To help you understand the mortgage process, here are some common steps:

- **Pre-approval** - Before you apply for a specific mortgage and prior to signing a purchase and sales agreement on a house, you will need to be pre-approved. Based on information you tell the loan officer, he/she will review your situation and approve you for the loan program and dollar amount that best fits your needs. During the pre-approval process, the loan officer will request information from you to verify income, time on the job, and things like savings account and credit information. A good loan officer will help you review your credit report and help you to address any credit issues. Your approval will be subject to your finding a property and providing the appropriate verifications. On the previous page of this book is a checklist of items to bring to your loan officer in order to be pre-approved for a mortgage.
- **Formal application** - Once you have found a property and made an offer by completing a purchase and sales agreement, you will then make a formal application based on a real home. You will need to submit all information requested by your loan officer, supporting documentation, and pay any fees necessary to start the loan process.
- **Inspections** - If you have chosen to have a home inspection on the property, now is the time to do it. Pay close attention to all of the contingency dates specified on your purchase and sales agreement. These dates specify when you must complete inspections or other contingencies. If you let them lapse, you may forfeit your deposit.
- **Disclosures** - Within three business days of the application, the loan officer is required to provide you the early disclosure package for mortgage applicants. The information provided in the early disclosure package includes the Good Faith Estimate, HUD Booklet, Truth-in-Lending Disclosure, Adjustable Rate Mortgage Disclosure, Consumer Handbook on ARMs (if applicable), and any other disclosure documentation required by federal, state, and industry regulation.



QUESTIONS? Contact your Loan Officer

- **Opening the file** - At this point the lender will also open a mortgage loan file with your name on it. The lender will order the property appraisal, request a title search, and mail out any verifications needed, to complete the file. Your loan file information is entered into the lender's computer processing system, and you are on your way to purchasing that house.
- **Processing/underwriting** - A loan processor reviews your loan information to ensure it is in compliance with the loan program that your loan officer has chosen with you, and then submits your file for underwriting. Your loan may be underwritten manually or by a computer, using an automated underwriting system. Once this process has been completed, a loan commitment will be issued to you. You must meet any outstanding loan conditions, prior to closing your loan.
- **Pre-closing** - The pre-closing phase of your loan is a waiting game. To obtain final approval, all conditions should be received and "signed off" by the underwriter. During this time the lender is reviewing the appraisal on your property, waiting on title work, and ordering mortgage insurance on your loan.

You need to address all loan commitment issues, such as proof of income and verification of deposits. You will also need to purchase hazard or home owners insurance. Pay particular attention to important contingency dates specified in your purchase and sales agreement. Once all conditions of the loan have been met, the closing agent, hired by your lender, will set up a time, date, and location for the closing.

- **Closing** - Within 24 hours prior to your closing, you should receive a HUD-1 Settlement Statement from the closing attorney. If you have not been given one, ask for it. The HUD-1 Settlement Statement will list all the fees and dollar amounts you need to bring to closing. Before closing, you should walk through the property to make sure that everything you agreed to in your purchase and sales agreement has been completed. At the closing you will be asked to bring a bank certified check for the down payment and any closing costs that you have agreed to pay. The closing agent completes the closing, and the seller will give you the keys to your new home!

QUESTIONS? Contact your Loan Officer

# TYPES OF MORTGAGES

Throughout the loan process, you will be working very closely with your loan officer to put together the best possible loan for your needs. Your loan officer offers a wide variety of loan products. Based on what you tell the loan officer about your income, credit, and down payment, he or she will suggest the loan that will work best for you. Be honest. Explain any concerns you have about getting a loan. Tell the loan officer what you are looking for in a



mortgage. Have all the necessary loan documentation available for your lender to review and copy. The better organized and knowledgeable you are about the process, the easier it will be.

Here are some loan terms you may come across in the mortgage process:

- **Fixed rate mortgages** - Fixed rate loans have monthly principal and interest payments that do not change over the life of the loan. Terms are available up to 40 years.
- **Adjustable rate mortgages (ARM)** - In an adjustable rate mortgage your principal and interest payments could change over the life of the loan. The most common adjustable rate mortgages have payment changes every 12 months, 36 months, or 60 months. Generally, payment changes are limited to a maximum of 2 percentage increment changes, up or down, at each change date.
- **Interest only mortgages** - In an interest only mortgage you pay interest only for the first 3, 5, or 10 years of the loan term. For the remaining term of the loan, you make regular interest and principal payments.
- **Federal Housing Administration (FHA)** - FHA loans are insured by the Federal Housing Administration. Credit standards may be more flexible. Generally, repayment is a fixed rate mortgage with a 30 year term. ARM products are also available.



- **Veterans Administration Mortgages (VA)** - VA loans are available to anyone who has earned entitlement by serving our country in the armed forces or reserves. A VA loan allows up to 100 percent financing for qualified buyers. Generally, repayment is a fixed rate mortgage with a 30 year term. ARM products are also available.
- **USDA / Rural Development** - is a federal agency allowing no money down for qualified applicants in suburban and rural areas. Income limits apply. Only fixed rate loans are permitted.



**New Hampshire Housing** - is a non-profit public benefit corporation offering special financing for first-time home buyers and other buyers through a network of approved lenders. This program offers lower interest rates and down payment assistance, and can be combined with FHA, VA, and USDA/ Rural Development. Income and purchase price limits apply.



# CREDIT

The purchase of a home is often considered the most important transaction a consumer makes in his or her lifetime. Throughout the mortgage loan process, a variety of resources are utilized to determine an individual's ability to purchase a home.



Verification of your credit history is vital to securing your loan and often the corresponding interest rate.

## ***What is credit history?***

Your credit history is a factual record of your payment history as reported by creditors. The information is compiled into a credit report that lenders use to determine your ability to pay back a loan. Your credit history gives the loan officer, or the person reviewing it, a snapshot in time as to your ability to make your loan commitments.

## ***What kind of information does a credit report contain?***

- ***Identifying information*** - A credit report includes your name, current and previous address, telephone number, Social Security number and reported variations, current and previous employers.
- ***Tradeline information (credit accounts)*** - A credit report also includes the name of institutions that have granted you credit, date account opened, credit limit or loan amount, monthly payment amount, and payment pattern (on time and/or delinquent payment trends).
- ***Public record information*** - Bankruptcy records; state, county, or federal tax liens; and overdue child support (varies by state).
- ***Inquiries*** - Name and date of companies that have obtained a copy of your credit history for application, account review, or collection purposes.

***There are three national Credit Reporting Agencies (CRA's) that maintain your credit reports:***

**Equifax**

P.O. Box 105873  
Atlanta, GA 30348  
Phone: (800) 685-1111  
Web Site: [www.equifax.com](http://www.equifax.com)

**Experian**

Attn: Consumer Relations  
701 Experian Parkway  
P.O. Box 2002  
Allen, TX 75013  
Phone: (888) 397-3742  
Web site: [www.experian.com](http://www.experian.com)



**Trans Union**

P.O. Box 1000  
Chester, PA 19022  
Phone: (800) 888-4213  
Web Site: [www.transunion.com](http://www.transunion.com)

It is recommended that you review your credit report from each one of the Credit Reporting Agencies (CRA's), at least once a year. The three major CRA's generally do not share information about consumers, so it is best to review all three credit reports.

***How long does information stay on my credit report?***

Specific attributes of your credit history have a shelf life based on time frames governed by federal agencies that oversee the activities of the three national CRA's.

- ***Tradeline information*** - Stays on for seven years (delinquency, collection accounts, charge-offs, etc. from first date of delinquency).
- ***Public records*** - Chapter 13 Bankruptcy, judgements, and paid liens stay on your credit report for seven years from release date. Chapter 7, 11, or 12 Bankruptcy will be on your credit report for ten years.
- ***Inquiries*** - Credit inquiries remain on your report for two years.

QUESTIONS? Contact your Loan Officer

## What is a credit score?

In today's lending environment, lenders may access and utilize a credit score during the underwriting process. Scoring is a mathematical formula that is solely based upon credit information. Here are some important facts to keep in mind when looking at credit scores:



- Credit scores were created to quickly calculate the ability of the consumer to reimburse the lender for the credit they are extended.
- Scores may also predict the likelihood for the consumer to become delinquent or file bankruptcy within the next 90 days.
- Scoring systems calculate scores based solely on tradelines, public record data, inquiries, and collection accounts. These models do not factor in age, address, employment, income, gender, or marital status.
- There are a variety of scoring models used within the lending industry.
- Scores are normally comprised of three digits. In many instances, the higher the score, the more creditworthy you are considered. A high score indicates that you are more than likely able and willing to pay back the credit extended to you. A low score depicts current or previous problems with repayment and is an indicator that you might not be able to repay the current debt back to the creditor.
- Scores within the mortgage lending industry (as in the auto and credit card industries) are used to help determine the interest rate you will be paying. A higher score can help earn you a lower interest rate on the loan.



There are two important pieces of legislation that all three national CRA's must adhere to. They are the Equal Credit Opportunity Act (ECOA) and the new Fair and Accurate Credit Transactions Act (FACTA).

ECOA is a federal law that prohibits creditors from discriminating against credit applicants on the basis of sex, marital status, race, color, religion, age, and/or receipt of public assistance.

FACTA was created to amend the Fair Credit Reporting Act. FACTA helps to establish consumers' rights and contains important provisions designed to protect consumers. Highlights of this important new law include:

- Free credit report - You may receive one free credit report annually. To receive your free copy contact:

Annual Credit Report Request Service  
P.O. Box 105281  
Atlanta, GA 30348-5281  
Tel: (877) 322-8228  
Web: [www.annualcreditreport.com](http://www.annualcreditreport.com)

- Disclosure of credit score - The lender must disclose credit scores if they are used to underwrite a residential home equity or mortgage loan.
- Adverse action - Consumers are entitled to a free copy of their credit report if they have been denied credit within the last 60 days.
- Credit report discrepancies - Once a consumer reports an error on his or her credit report, the CRA will contact the lender that reported the data. From this point, the lender has 30 days to investigate the discrepancies and respond back to the CRA. Pending the outcome of the investigation, disputed information may or may not be deleted from the credit report.
- Identity theft - Outlines processes and provisions for identity theft victims.

# THE HOME INSPECTION

Once you have found your home and signed a purchase and sales agreement, you will need to act quickly to meet the conditions of that contract. Two of the many conditions you may have on your purchase and sales agreement are a satisfactory home inspection and an acceptable appraisal.



The home inspection is usually an optional condition. Most lenders do not require you to have one. However, it is in your best interest and usually recommended that you have a home inspection.

The home inspection is for you and only you. If you choose to obtain a home inspection, hire someone who is unbiased and has nothing to gain from the sale. You are responsible for the home inspector's fee and must pay it, upfront, whether you buy the house or not.

The home inspector's job is to do a detailed visual inspection of the house, its systems, and structural stability. The home inspector will look for home maintenance problems, items that need to be addressed immediately, and note items that should be taken care of in the near future. A good home inspector will even give you a written report with a maintenance plan so that you can anticipate future costs, if you decide to purchase the house.



Keep in mind that the home inspector's job is to find problems with the home. They are there to squeeze into crawl spaces, climb on the roof, and look at the electrical box. They will find problems with every house. Your job is to take the results of the inspection report and decide whether or not you want to buy the house.

If you choose to have a home inspection, there are a number of questions you should ask the inspector before you agree to hire him or her.

***What is included in your standard inspection and what other inspection services do you offer?*** You need to know what is included as part of their standard inspection and what you will need to pay for in addition to the standard inspection. Most inspectors will just do a basic home inspection. If your property has a septic system, you may want a septic inspection. If there is a well, you may want the water tested. Other common services to consider are: insect and pest inspection, radon test, chimney inspection, and roof inspection.

***What qualifications do you have as a home inspector?*** In New Hampshire there are no requirements for someone to be a home inspector. Look for a person who is a full time home inspector. Also, the longer they have been doing it, the better. Ask if they are a member of either the National Association of Building Inspection Engineers (NABIE) or the American Society of Home Inspectors (ASHI). These two professional organizations require the home inspector to take proficiency exams and receive continuing education to maintain membership.

***Do you carry errors and omissions insurance?*** If you buy the home, errors and omission insurance will protect you in the event that the inspector misses a problem that will cost you a lot to fix. Keep in mind that home inspectors do not have X-ray vision and cannot find every problem. If they do have errors and omission insurance, at least you can be confident that he or she will try his or her hardest to find all problems.



***Will you provide a detailed written report or a checklist style report?*** If you plan to only be in the house a short time, then a checklist report may be sufficient. If you plan to live in the home for a while, a detailed written report will come in handy as you plan your maintenance budget. Ask if he or she will prioritize repairs and create a maintenance plan to help you take care of your new home. The more information you have about your home, the better.

QUESTIONS? Contact your Loan Officer

# THE APPRAISAL PROCESS

Another step in the loan process is the appraisal. The purpose of this is to estimate market value of the house. Market value means that the appraiser will estimate the dollar amount that your home is worth in the current market. Having this estimated current market value for the home aids the lender in structuring the best possible loan for you. Here is how the appraisal process works.

Once you have completed a purchase and sales agreement and the mortgage application with your lender, your lender will then hire an appraiser. Your lender may ask you to pay for the appraisal, up front, before your loan closes. This is to protect the lender and ensure that the appraiser gets paid in the event that your loan does not go through.

The Licensed Appraiser or Certified Real Estate Appraiser hired by your lender will contact either you or the seller, depending on how much information they have, to schedule an appointment to view the property.

The appraiser will then visit the home and complete an interior and exterior inspection of the home. **The appraiser is not a home inspector and should not be confused with one.** The relevant factors that the appraiser will look for are items that may affect the market value of the home, such as square footage, location, and amenities. The appraiser will not necessarily be looking for structural defects or maintenance issues. That is the job of a home inspector.

The appraiser will typically take about 30 minutes, depending on size and style of the property. Keep in mind that some loans may not require the appraiser to do a full appraisal. In these instances, the appraiser is asked to only complete an exterior inspection of the home. This type of appraisal is known as a “drive-by” and usually costs less.

With the information gained from the inspection, the appraiser will complete the appraisal report. By comparing your home to other like homes that have recently sold, the appraiser determines the fair market value.

Your lender can provide you a copy of your appraisal, and most will include it in your closing package. However, to ensure that you do get a copy, ask the lender well in advance of your loan closing.

# THE TITLE PROCESS

After the appraisal has been reviewed and approved by your loan officer, the title process will begin. Your loan officer normally initiates the title process by contacting an attorney or title company from an approved list that the lender has on file. They will hire the attorney and/or title company to act as a closing agent for your loan. Often this is referred to as ordering title or committing to title. You do have the right to request your own attorney or closing company; however, the lender will customarily choose one who is familiar with its documentation and procedures.

The chosen closing company will begin a title search on your property. The title search will determine if there are any prior undischarged mortgages, attachments, liens, unpaid taxes, easements or rights of way, restrictive covenants, or other encumbrances filed at the Registry of Deeds. The title company will also start to gather information that is important to your closing, such as property taxes paid or owed; the property description; real estate commission due, if any; and account information from involved parties. This information is necessary to ensure that the transfer of the property is accurate and complete. Any outstanding issues, such as an unknown heir to the property, can undermine the process and delay or even cancel the closing. In many instances, the closing agent will forward a questionnaire to gather this information. This form will ask for a signature of the parties for privacy regulations.



Once all the information is verified, the closing agent will prepare a commitment of title for the lender. This contains information that the closing agent has gathered from the County Registry. The lender will review the commitment and agree to all possible, outstanding conditions. It's at this time that the closing agent will schedule your closing.



QUESTIONS? Contact your Loan Officer

With the closing date scheduled, your lender will work up the actual figures of your loan. The closing agent will use these final figures to prepare the HUD1 Settlement Statement. This statement tallies all fees for the closing and discloses who owes what money to whom. The closing agent will give you one total dollar amount you will need to bring to the closing. The closing agent will disburse the appropriate amounts due to each individual involved.

Once final figures are given and everyone is satisfied, the closing company conducts the closing. The closing generally takes between one to one and a half hours, depending on the amount of paperwork and the number of questions asked. At this time, money is verified as being received by the lender, and everyone is paid with the proceeds. This is often referred to as "Transfer of Title." Your name will now appear on the title of ownership.



After the closing, the closing agent records the new deed, mortgage, and discharges any prior mortgages at the appropriate County Registry of Deeds. The closing company sends the lender the completed package so it can be set up for servicing. Servicing is the maintaining of your loan and includes items like sending out billing information and collecting delinquent payments. The total closing process from the lender's notification to the actual signing takes approximately 21 days. This time frame may vary due to unforeseen circumstances.



# UNDERSTANDING INSURANCE

As you apply for a mortgage, one of the many items that you will come across during the process is insurance.

Understanding insurance, what it covers, why it is required, and who it protects, is key to getting a mortgage that fits your needs. The four types of insurance that you may encounter during the mortgage process are:



- Mortgage insurance
- Title insurance
- Hazard or home owners insurance
- Flood insurance

**Mortgage insurance** may be required when a borrower has less than a 20 percent down payment. Mortgage insurance, (sometimes called Private Mortgage Insurance (PMI)) protects the lender in the event that you default on the loan. The premium is typically added to your monthly mortgage payment as part of your *principal, interest, taxes, and insurance (PITI)*. The less you put down, the higher the monthly premium. Conversely, the more you put down, the lower the premium.

If your loan requires mortgage insurance, generally, you can remove the insurance in two ways. First, you can request the insurance be removed when you feel that your equity in the home has reached 20 percent of the original value. Ask your lender **before you close** about restrictions or exceptions to removing mortgage insurance this way. The second way PMI

can be removed is by paying down your loan. Once you have reached 22 percent equity in your home, based on the original value, the lender must automatically remove the insurance. Of course, you must be current on your loan and in good standing with the lender for them to remove PMI from your loan.



**Title insurance** is a one-time fee, paid at closing, which has two parts: a lender policy, which you will be required to purchase and protects the lender, and the owner's policy. At closing you will be asked if you want to purchase a policy that will name you as the beneficiary, this is called owner's title insurance. If you purchase the two



policies together you will receive a discount on the premium. What does title insurance cover? It covers any defects in the chain of ownership on the property you are buying. Defects could be errors in the record of ownership, missing heirs claiming ownership, and forged documents. Keep in mind that the policy you purchase for the bank only covers the bank's risk on the loan. As you pay your loan down, the bank's risk goes down and your risk goes up. An owner's policy would cover your equity in the property.

**Hazard or home owners insurance** is required on all mortgage loans. This insurance protects you and the lender against unexpected misfortunes such as a fire, theft, or water damage from frozen pipes. Hazard insurance does not cover you against items, such as a river flood, an earthquake, or mold damage, unless you specifically purchase those coverages. The hazard insurance premium may be included in your monthly mortgage payment. As a new home owner, hazard insurance can play a role in whether or not you qualify for that new home. Understanding it and asking the right questions can help you avoid issues later on in the mortgage process.

Hazard insurance can be broken down into three areas of focus:

First, before you find a home, speak with an insurance provider, and ask them what kind of red flags can cause a home to have higher premiums or be rejected. Knowing this ahead of time will help you in negotiating the purchase price. It may even allow you to eliminate looking at homes that will be too costly to insure.



Things such as the age of the home, type of electrical wiring, and location of the property, can all affect your ability to obtain hazard insurance. Even things not associated with the home may affect the cost of insurance. Your credit history, and the type of dog you own, may impact the premium you will pay.

QUESTIONS? Contact your Loan Officer

Once you have found a home, ask the seller's real estate agent if you can get a copy of the property's Comprehensive Loss Underwriting Evaluation (CLUE) report. The CLUE report is what the insurance company looks at to determine the risk on a property. A CLUE report shows a complete history of the claims filed on that property. If you are unable to get a copy of the CLUE report prior to making an offer, then include on your purchase and sales agreement a condition that your offer is subject to your finding reasonable and affordable hazard insurance on the home.



Finally, once you have signed a purchase and sales agreement, you will need to find hazard insurance. Your loan approval is subject to your providing the lender with a one-year, pre-paid insurance binder on your property. Call friends and family, use the phone book, and call for the best price. Have premiums quoted with different deductibles to see what the difference in premium would be.

If you need help, the State of New Hampshire Insurance Department can be a useful resource. The Insurance Department has a number of free publications and brochures. They can also tell you if an insurance provider has had complaints. You can contact them by phone at 1-800-852-3416 or find them on the Internet at [www.state.nh.us/insurance](http://www.state.nh.us/insurance).

**Flood insurance** may or may not be required on your home.



At the time of application your lender will request a flood certification on the property you wish to purchase from a vendor that reviews the Federal Emergency Management Agency's (FEMA's) flood maps. If your home lies in a flood prone area, then you will be required to get flood insurance. If it is not in a flood zone, then you do not need the insurance. Flood insurance protects you and the lender, in the event that your home is flooded by water. High-risk flood zones are areas close to rivers, lakes, or on a seacoast. To learn more about flood insurance and flood zones, check out FEMA's website at [www.fema.gov](http://www.fema.gov) or go to [www.floodsmart.gov](http://www.floodsmart.gov).

A clear understanding about the types of insurance involved with your mortgage and their cost to you will help speed up the mortgage process. Ultimately, understanding the insurance requirements will also help you choose the best home and mortgage for your needs.

QUESTIONS? Contact your Loan Officer

# MORTGAGE TERMS

**Annual escrow analysis** - At closing you will be provided with an initial escrow account disclosure statement. This is an estimate of activity for the coming year. Each year your lender will provide a statement of actual activity and make a projection for the coming year. This may result in the escrow portion of your monthly payment to change based on the previous year's activity (such as an increase in your real estate taxes).

**Annual interest statement** - Your lender will mail a 1098 Interest Paid Statement to you by the end of January each year. It will let you know how much interest you have paid over the previous year on your loan. The interest may be deductible from your federal income taxes.

**Annual private mortgage insurance statement** - Your lender will mail this to you annually. It will let you know that your loan is covered by private mortgage insurance and on what terms it can be cancelled or automatically terminated.



**Application** - The process and/or document with which a buyer or home owner applies for a mortgage loan.

**Automated underwriting systems** - The process of using an automated software application which can match general loan parameters to an applicant's loan profile in order to generate an underwriting decision. Most commonly found on Internet-based loan applications and mortgage lenders' web sites.

**Annual Percentage Rate (APR)** - The effective cost of borrowing, based on the payment of items defined as finance charges, other than interest, by the Truth-In-Lending Regulation. The APR contains items such as "points", private mortgage insurance and other costs related to the mortgage transaction.

**Balloon mortgage** - A mortgage that offers low rates for an initial period of time, usually 5, 7, or 10 years. After that time period elapses, the entire loan balance is due. It is usually paid by refinancing the loan

**Closing agent** - An attorney or title company that is usually, but not always, chosen by a lender to search the real estate title and perform the closing transaction for a mortgage loan.

QUESTIONS? Contact your Loan Officer

**Closing costs** - Costs paid to cover obtaining a mortgage and the transfer of ownership at closing. These costs may vary by geographic location and must be disclosed to the borrower after submission of a loan application.

**Commitment** - The obligation, on the part of the lender, to grant the mortgage to the applicant. Usually is mailed or presented to the applicant in the form of a “Commitment Letter.”

**Contingency** - Something that needs to be completed, or supplied, in order to fulfill the terms of an agreement.

**Debt-to-income ratio** - A comparison of gross income to housing and non-housing expenses.

**Deed** - The document that transfers ownership of a property.

**Disclosure** - Refers to the obligation of the lending institution or mortgage broker, to define and explain, usually in written form, the terms of the loan and certain other items associated with the mortgage.



**Escrow account** - A separate account into which the lender puts a portion of each monthly mortgage payment to provide the funds needed for such expenses as property taxes, home owners insurance, mortgage insurance, etc.

**Good Faith Estimate** - An estimate of all closing fees, including lender charges, pre-paid fees, and escrow items. These estimates must be given to the borrower within three days after submission of a loan application.

**Grace period** - Most lenders have a 15-day grace period after the due date before your payment is late. Remember to make all payments on time to avoid credit problems.

**HUD1 Settlement Statement** - A federal statement prepared by the broker, title company, or lender, giving a complete breakdown of costs involved in a real estate sale. A separate statement is prepared for the seller and buyer.

**Interest** - The income the lender, or owner of the note and mortgage, receives for the use of the loan principal.

QUESTIONS? Contact your Loan Officer

**Lock-in (rate-lock)** - Interest rates can change frequently, so many lenders offer an interest rate lock-in that guarantees a specific interest rate, if the loan is closed within a specific time.

**Market value** - The price that probably would be negotiated between a willing seller and a willing buyer in a reasonable time. Usually arrived at by comparable sales in the area.

**Monthly mortgage payment** - Most lenders send out monthly statements detailing the amount due. Plan on making your payments on the first of every month. This is the most common due date. Your monthly payment can include real estate taxes, private mortgage insurance, home owners insurance, and flood insurance.

**Mortgage** - A legal document that pledges a property to the lender as security for payment of a debt. The borrower retains possession and use of the property.



**Mortgage broker** - A licensed, independent originator of mortgage loans. Typically, but not always, offers loan products and terms of several lending institutions.

**Note** - A unilateral agreement containing an express and absolute promise of the signer to pay a named person a definite sum of money at a specified date or on demand. Usually provides for interest and, concerning real property, is secured by a mortgage.

**Originator** - A position in a mortgage lending institution that is responsible for interviewing mortgage applicants and assisting in the structuring, creation, and initial documentation of a mortgage application. Typically an employee of a mortgage lending institution or broker.

**Principal, interest, taxes, and insurance (PITI)** - The four elements of a monthly mortgage payment.

**Points** - Another way of stating “percent.” Each point represents one percent of the loan principal. A form of finance charge paid in advance, or at closing, as opposed to over time. Points are typically used to discount, or lower, the interest rate paid on the loan principal.

**Principal** - The total amount of the loan received by the borrower. The amount upon which the interest and monthly (or otherwise stated) payments are based.



**Processor** - A position in a mortgage lending institution that is responsible for collecting information and documentation in order to complete a loan file.

**Purchase and Sales Agreement (Offer to Purchase)** - Indication by a potential buyer of a willingness to purchase a home at a specific price. Must be in writing to be valid in New Hampshire. Also known as a P & S.

**Registry of Deeds** - A term used in some states to describe the place or person in charge of recorded instruments.

**RESPA (Real Estate Settlement Procedures Act)** - A law protecting consumers from abuses during the residential real estate purchase and loan process by requiring lenders to disclose all settlement costs, practices, and relationships.

**Title Insurance** - Insurance against loss resulting from defects of title to a specifically described parcel of real property. Defects may run to the fee (chain of title) or to encumbrances.

**Title Search** - A review of all recorded documents affecting a specific piece of property to determine the present condition of title.

**Truth-in-Lending** - A federal law obligating a lender to give full written disclosure of all fees, terms, and conditions associated with the loan.

**Underwriter** - A position in a mortgage lending institution that is responsible for reviewing a loan file, evaluating risk, interpreting guidelines, and making a lending decision on a mortgage application.



# NOTES

QUESTIONS? Contact your Loan Officer

# A SPECIAL THANK YOU

The Mortgage Bankers and Brokers Association of New Hampshire, Inc. (MBBA-NH) would like to give a special thanks to the individuals and companies that dedicated so much of their time to helping create this guide for you. Without their knowledge and commitment to the MBBA-NH, this book would not be possible. We thank you.

Meg Malette  
Executive Director  
Mortgage Bankers and Brokers Association  
of New Hampshire, Inc.

Andrew Cadorette, New Hampshire Housing

Mark Chalifour, CMP, Merrimack Title Company, Inc.

Julie Clark, Horizon Settlement Services, Inc.

Barbara Cunningham, CMP, St. Mary's Bank

Melissa Hanke, Home Trust Title, LLC

Donna Howard, CMP, Merrimack Mortgage Company, Inc.

Carol Jordan, CMP, First Horizon Home Loans

Pam Ordway, CMP, Merrimack County Savings Bank

Carolyn Sandford, CMP, Quality Financial Services

Joe Saylor, GB Home Equity

Michael Sherlock, Sherlock Appraisal Associates



**Building a Strong Foundation**

# My Mortgage Contacts

## Property Address

Seller: \_\_\_\_\_

Address: \_\_\_\_\_

Book: \_\_\_\_\_ Page: \_\_\_\_\_

Seller Tel: \_\_\_\_\_

## Loan Officer

Contact: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

Tel: \_\_\_\_\_ Email: \_\_\_\_\_

## REALTOR®

Contact: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

Tel: \_\_\_\_\_ Email: \_\_\_\_\_

## Home Inspector

Contact: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

Tel: \_\_\_\_\_ Email: \_\_\_\_\_

## Appraiser

Contact: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

Tel: \_\_\_\_\_ Email: \_\_\_\_\_

## Title Company/Attorney

Contact: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

Tel: \_\_\_\_\_ Email: \_\_\_\_\_

## Insurance Company

Contact: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

Tel: \_\_\_\_\_ Email: \_\_\_\_\_

QUESTIONS? Contact your Loan Officer

# Is your mortgage loan officer a Certified Mortgage Professional? Why not?



## Look for the **CMP** designation

- ✓ Your home is your biggest investment.
- ✓ So, when it comes to choosing a mortgage loan officer you can trust, choose a **Certified Mortgage Professional**.
- ✓ Loan officers who earn the **Certified Mortgage Professional (CMP)** designation meet the highest industry standards and exhibit professional competency, experience, and ethics in mortgage lending.

**Find a CMP in your area at: [www.mbba-nh.org](http://www.mbba-nh.org)**



Mortgage Bankers and Brokers Association of  
New Hampshire, Inc.  
PO Box 6, Weare, NH 03281-0006  
Phone: (603) 529-5001 Email: [info@mbba-nh.org](mailto:info@mbba-nh.org)

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