

MORTGAGE YES!

It's easier than you think.



CAROLINA MORTGAGE FIRM
MORTGAGES THAT MOVE YOU FORWARD

What everyone should know before buying. >>

HELLO. WELCOME TO OUR EBOOK.

If you've been wanting to purchase a home but have allowed mortgage horror stories to live rent-free in your mind...this is for you.

We'll walk you through everything you need to know about getting a mortgage, so you can say goodbye to your landlord and get into a home of your own!



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1. RENTING IS A DRAG! HERE'S WHY.

Why buying is better than renting.

Okay, so you've been renting for a while now. You like the location, don't have any maintenance to worry about, and you're working out three times a week in the fitness center. On the flip side...you have obnoxiously loud neighbors who think playing PS5 is a contact sport, your place is so small that half your stuff is in storage, and you just found out that your landlord is increasing your rent... AGAIN. Sounds like it's about time you stopped paying a landlord and started building equity in a home of your own. It all starts with a mortgage. More specifically, figuring out how much home can you afford.

Let's talk numbers.

We guarantee you're going to be surprised when you realize how much equity you could have been earning if you owned a home. Instead of paying \$2,000 in rent each month, check out the numbers if you had purchased a \$300,000 home.

MORTGAGE INFORMATION

Home price:	\$300,000
Interest rate:	5.375%
Loan term (years):	30
Down payment:	\$15,000
Mortgage total:	\$285,000
Home insurance:	\$1,000
Taxes:	\$3,360
HOA dues (annual):	\$600

BUYING ASSUMPTIONS

Marginal tax bracket:	25%
Annual costs:	1%
Selling costs:	6%
Annual appreciation:	5%

RENTING ASSUMPTIONS

Monthly rent:	\$2,000
Renters insurance:	1.3%
Rent appreciation:	2%

YEAR	BUY	RENT	BUY GAIN
3	\$35,300	\$74,400	\$39,100
7	\$49,800	\$180,742	\$130,911

So the question is...Are you surprised yet?

2. TALK TO AN EXPERT... YOU'LL BE GLAD YOU DID.

Why the process is easier with a mortgage expert.

You may have heard a lot of negative comments about the mortgage process. The mortgage loan officer gets a name on the dotted line, they pass the person's information along to the processor and then move them into what we fondly refer to as the "Black Hole." When they finally hear from someone, it's because the lender is requesting MORE... and MORE...and MORE information.

If you want to avoid this scenario, you need to choose a good mortgage team. But you don't want just any team. You want a team that will help you avoid the "Black Hole" and the infinite loop of requests – or worse – no communication at all. The trick is finding a team that truly knows what they're doing, so they can get you closed as soon as possible.

Here's what you should look for in your mortgage team:

Face-to-face time: The ability and willingness of the mortgage loan officer to meet you in person (people still do that?)...or virtually, if you prefer it that way.

Ongoing support: Works with realtors and borrowers to make sure the process doesn't make you want to poke your eyeballs out.

Availability: Connect when it's good for YOU, not just when it's convenient for them. This *is* a commission business, right?

Flexibility: The ability to provide you with a pre-approval to match your offer ASAP, even on the weekend. Hey, there are no "off" days in real estate, right?

Local: Works with local appraisers, title companies, surveyors, and insurance companies you can trust.

Remember, having the right team can make all the difference!

3. SET YOUR MORTGAGE GOALS.

Planning for a mortgage and what you should be doing.

Thinking of buying your first home? Well, there are some things you need to be doing now so you'll be ready to make an offer once you're pre-approved. It's time for what we like to call, *Mortgage 101*.

*Credit scores from Credit Karma or a credit card company are not always on point, they use their own algorithms. Only credit scores from the big three credit bureaus are fully legit and are the only ones your lender will use.

1. Find a mortgage loan officer

And, we don't mean just anyone. We're talking about someone who is an expert in the mortgage process and will make sure you have the best possible experience. We know a guy.

2. Know your credit score

Go to [AnnualCreditReport.com](https://www.annualcreditreport.com) to order a free copy of your credit report from the three national credit bureaus: Equifax, Experian and TransUnion.* While credit bureaus are about one step above getting a root canal in terms of likability, they are a necessary evil.

3. Find the right mortgage

There are several types of mortgages out there, such as conventional or government-backed like a VA, FHA or USDA loan. No worries if you're not sure what any of this means. That's why you have your mortgage loan officer. Remember – we know a guy.

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3. SET YOUR MORTGAGE GOALS. (CONT'D)

Planning for a mortgage and what you should be doing.

4. Get pre-approved

A mortgage loan officer can also help you figure out a price range you can afford and get you pre-approved. The last thing you want is to do is purchase a home that's too expensive...because being house poor stinks!

5. Gather your paperwork

Once you make an offer and the contract is accepted, have these things together and ready to go:

- Two years tax returns
- Two years W-2s
- Two recent bank statements
- Last 30 days of pay stubs
- Copy of your ID

Get out there and find your new home!

You're pre-approved, so get your real estate agent moving and start hunting for your new home.

4. DO YOU HAVE THE CREDIT?

How a credit score works and what you can do.

One of the first things a mortgage lender will do is pull that 3-digit credit score. They rely on this score to determine whether you qualify for a mortgage and at what rate. That's because the higher your score the more likely you'll nab a lower interest rate and a smaller monthly payment.

FYI, you're shooting for a score of 740 or above.

Though you might be familiar with a credit score, you may be saying to yourself, "What's a credit score and how is it calculated?" We'd like to tell you that it's very simple...but it's ridiculously complex and confusing. It's made up of the information that the three national credit bureaus have on you and is calculated based on these five factors:

35% Payment History: The record of your on-time payments.

30% Available Credit: Your maximum credit line minus the amount you owe on all your accounts.

15% Length of History: How long you've had the account(s).

10% Type of Credit: Installment loans, revolving credit, etc.

10% Number of Inquiries: How many times you've applied for credit (Yes, every time you apply for a credit card it dings your credit). Ugh!

Tip: A quick way to improve your credit score is to pay down some of your card balances or request a credit limit increase. Credit card companies love when you request more credit...especially if you don't pay your cards off in full each month. They are more than happy to collect more interest from you.

5. THAT'S IT! I'M BUYING A HOME.

Don't worry, I got this.

“You won't be able to qualify for a loan. Even if you can, you can't afford a 20% down payment. Plus, the market isn't good right now and you won't find anything in your price range anyway.”

Blah, blah, blah...does this sound like a conversation you've been having with someone? Don't let them talk you out of it. When they try to get in your head with comments like these, here's what need to keep in mind:

You'll never qualify for a mortgage – “Wanna bet?”

You have a good credit score, make a decent salary and have quite a bit in savings. You're in pretty good shape.

You'll never have 20% down – “It doesn't matter anyway.”

You may not be able to put 20% down, but Private Mortgage Insurance (PMI) isn't expensive. It'll just be tacked on to your monthly mortgage payment. Besides, the average down payment is around 7%* so you're good to go.

The market is trash – “What's your point?”

The right time to buy is when YOU are ready. The market will always fluctuate so don't let that deter you. Besides, if you're paying rent, there's a good chance that your mortgage payment will be less...AND you'll be building equity. It's a win-win.

You won't like anything in your price range – “Whatever.”

There are plenty of homes on the market right now. Even if your mortgage payment is comparable to what you're paying in rent, at least it's YOURS. No more paying the landlord to get rich.

*According to a 2020 survey by the National Association of Realtors.

6. YOUR MORTGAGE IS YOUR NEW BESTIE

What's covered in your mortgage payment.

Ok, so you never thought you'd be happy about a mortgage payment. But when it means you're building equity in a home of your own instead of paying rent...you're pretty excited! Right?

“I'm having a BBQ at MY house.”

“I'm getting some things for MY house.”

“Let's hang out at MY house.”

“MY house” has a whole new meaning when you own it. And making that monthly payment is a whole lot easier when it's YOUR home. Here's what you'll be paying for:

Principle (P) – The price you paid to the seller

Interest (I) – The amount you're paying the lender for letting you borrow the money

Taxes (T) – State property taxes

Homeowners Insurance (I) – Covers loss or damages to your residence and accidents on your property

Here's a quick example:

$$\begin{array}{r} P + I = \$ 1,500 \\ T + I = \$ 500^* \\ \hline \text{Monthly Payment} = \$2,000 \end{array}$$

What's great about adding the T&I to your monthly payment is that you won't get hit with two huge bills once a year for taxes and insurance. When you break it up into 12 months and it's rolled into your payment it significantly reduces the suck factor. You don't have to think about it, and your lender automatically pays the bills for you.

*Based on a yearly amount of \$6,000 for T&I (\$6,000/12 = \$500)

7. TIME TO WRAP IT UP!

What to expect at closing and beyond.

You've provided the lender with every document they requested, scheduled the movers, submitted your change of address form and have your cashier's check in hand. Now it's time to close. This is the day you take ownership of your new home and start moving in.

But first, you must get through closing. Grab an energy drink and start warming up your fingers because you're going to be signing a ton of papers. Be sure to plan on an hour or two before you can get the heck out of there.

Here's what's going to happen at closing:

1. You'll review and sign the mortgage loan documents.
2. The Seller will execute the deed to the property.
3. Funds will be collected and disbursed.
4. The closing agent will record the necessary documents to give you legal ownership.
5. You get the keys to your new home. Whoop! Whoop!

Now the real fun begins. The movers will show up right on time with smiles on their faces. They will carefully move every stitch of furniture, boxes, etc., placing them ever so gently in the truck. They will cautiously drive your belongings to your new home and start the unloading process. They will be efficient and responsible, treating your new home and your possessions as if they were their own. They will finish ahead of time and under budget.

Bhaaaaaaaa!!!! Did I say that with a straight face? What I meant to say was...Good luck! You're gonna need it. Okay, so the movers might actually show up on time...but the whole "care, caution and efficient" thing...not so much!

8. WHAT'S WITH ALL THIS MAIL?

What to do with all the junk mail you get after closing.

“I can't even! If I get one more piece of junk mail, I'm going to lose my mind!”
Yep, that's how you'll feel every time you walk to your mailbox for the first several months after you close. That's because closing on a home creates a public record.

Advertisers can access the information about you and your property...and they want to sell stuff to you. Look out for a few things:

Not ALL the mail is bad. Hey, you might really be interested in building that organized closet. You know, the one you've gotten 35 flyers for?

Seriously, how many companies install those things? Looks like at least 35. If you're not interested, just shred them.

Mail for the previous owner: You can pretty much count on this. Just write, “No longer at this address” and place it back in the mailbox. The mail carrier will return it back to the post office.

Don't get scammed: Keep an eye out for these three types of junk mail pieces:

1. Mortgage Insurance (MI) – Pays off your mortgage if you die or become disabled. It's legit protection but it's coming from an insurance company, not a mortgage lender.

2. Junk mail that looks like a bill – Oooooo...this is a sneaky one. These often look like a real bill and can even use your lender's logo to trip you up. If you're not sure, call Carolina Mortgage Firm.

3. Lower rate and payment offers – These are usually “bait and switch” situations. A competing lender tries to get you in the door by offering a lower rate, then tries to sell you another loan product like a home equity loan.

You can opt out of junk mail: optoutprescreen.com or call 1-888-5-OPT-OUT (1-888-567-8688).

9. FAQs

You've got questions.
We've got answers.

1. How much can I afford?

Follow the 50/30/20 rule:

50% needs (housing, food, etc.)

30% on savings (debt payment, emergency funds, etc.)

20% wants (entertainment, eating out, vacations, etc.)

Note: Your mortgage payment and any fees plus your food should not exceed 50% of your after-tax income.

2. Do I have to put 20% down?

Down payments are typically 5% to 20%. There are also options for as little as zero down (like USDA, VA, and loans that take down payment assistance). Usually as little as 3-5% will get you several great options.

It's a good rule of thumb to have 3-6 months of living expenses saved to cover unexpected costs.

3. What documentation will I need to apply for a mortgage loan?

- Copy of driver's license
- Two years of W-2s or business tax returns, if self employed
- 30 days of paycheck stubs
- 60 days of statements from the account that down payment is coming from
- Additional documents, if you own additional properties

4. What out-of-pocket expenses will I have to pay during the mortgage process?

Appraisal: Generally paid at closing, but in some cases it's paid upfront. Average cost is \$550.

Inspections: You'll have some inspections on the home that you may need to pay for upfront and out of pocket (septic, termite, etc.). These can be anywhere from \$250 to \$1,000 in total.

9. FAQs (CONT'D)

5. How long is the mortgage process?

From the day you submit your application to closing day, the typical mortgage process is about 30 days.

6. What is Private Mortgage Insurance (PMI) and when will I stop paying it?

PMI is insurance paid by the homeowner to guarantee the mortgage will be paid in full if they go into default or foreclosure. Per the letter of the law, mortgage insurance will fall off at 78.8% loan-to-value based on the amortization schedule at time of the loan.

7. In addition to the loan repayment, what other costs should I expect in my monthly mortgage payment?

Property taxes: This is a tax charged by the local government and used to fund municipal services such as schools, police, or street maintenance. A percentage of your annual tax amount is included in your monthly payment. When your taxes are due, the mortgage company will pay your tax office directly.

Homeowners insurance: This is property insurance that covers losses and damages to your home and personal belongings inside the home. It also provides liability coverage against accidents in the home or on the property.

Private Mortgage Insurance (PMI): This is only needed if you put less than 20% down on your mortgage at closing. The cost is usually a negligible amount tacked onto your monthly mortgage payment.

8. What other monthly costs could I have on my new home?

Homeowners Association (HOA) fees: If in a neighborhood, it is typically around \$50 per month. A townhome is around \$200 a month and a condo is around \$400 a month.

Trash service: This is typically a small monthly fee (like \$30) for curbside pickup with a bin provided by trash company.

Utilities (water, gas, electric, cable, internet, etc.): Townhomes and condos typically have some of these included which is why their HOA dues are so much more.

9. What do I need to bring to closing?

Certified check: If you have not wired your money due at closing. (Check with the closing attorney on how they prefer the payment to be received.)

A witness: If doing a refinance or closing outside of an attorney's office.

Photo ID: This is usually your driver's license.



**Carolina Mortgage Firm is here to help.
Reach out anytime.**

Call: 704.800.6551

Email: info@carolinamortgagefirm.com

Visit: carolinamortgagefirm.com

Connect with us.  

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