MGIC

FOR SALE to SOLD

A mortgage handbook for real estate agents!

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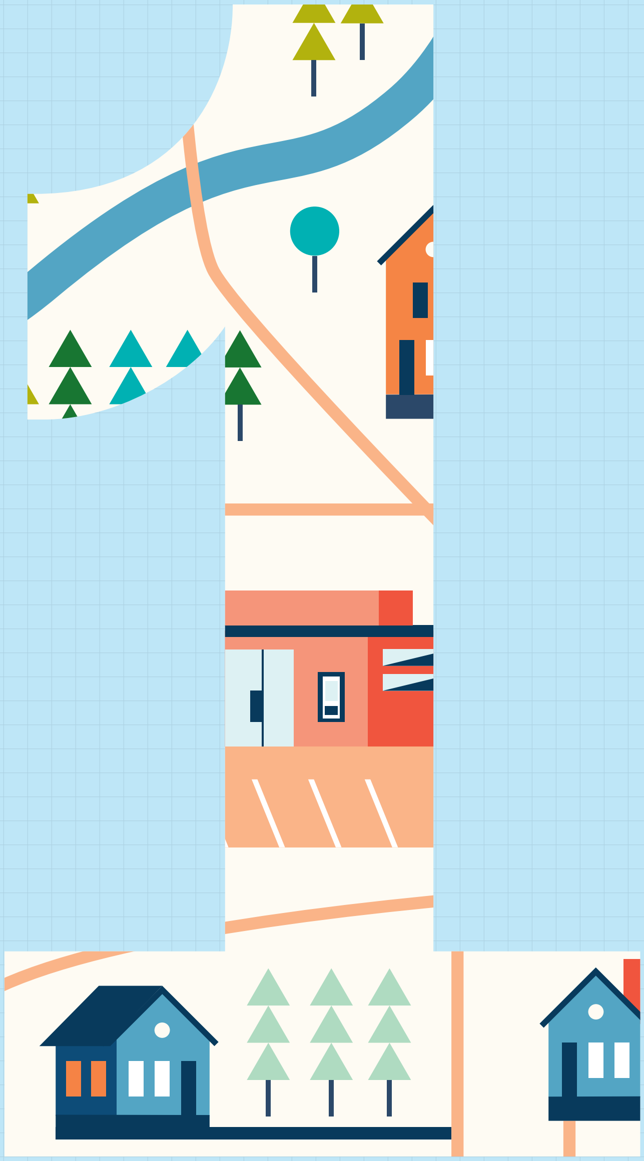
Homebuyers look to your expertise as a real estate agent as they navigate the homebuying process. But where can you go for guidance? This handbook, compiled by Mortgage Guaranty Insurance Corporation, is a great place to start. MGIC has been helping homebuyers become homeowners since 1957 and knows how many steps, people, processes and rules are involved in that transition. MGIC understands in today's constantly evolving, heavily regulated market, it's more important than ever to stay on top of changes. *For Sale to Sold* breaks down the main components of the mortgage process, and explores and explains each piece: everything from preapproval through closing.

By helping your homebuyers understand what to expect on their homebuying journey, you'll create a powerfully positive customer experience, fostering a relationship that lasts years beyond the closing table. Happy homebuyers are likely to become repeat customers when they're ready to move up to a larger home or downsize from an empty nest. And they're likely share their experiences with you, their Trusted Advisor, among their friends. As your relationships deepen and your referral network grows, so will your leads, sales and commissions. If you're ready to boost your mortgage industry savvy – and enrich homebuyer relationships and enhance your referral network in the process – just keep reading...

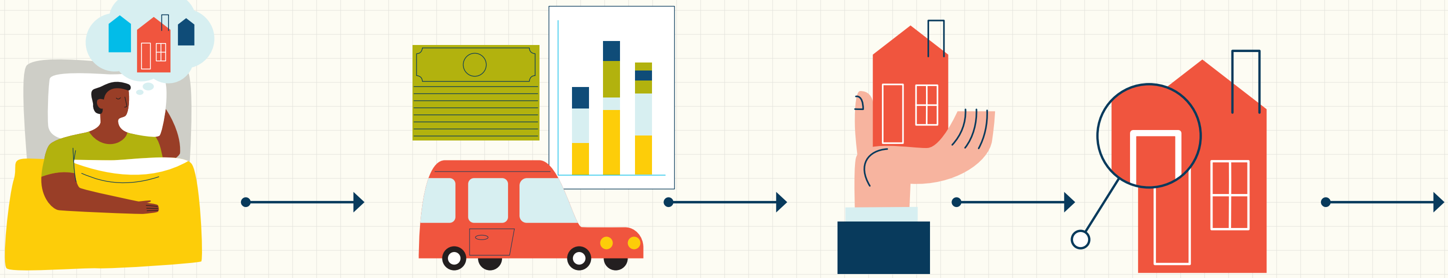


CHAPTER ONE

The Mortgage Cycle

The best place to start is to develop an understanding of the Mortgage Cycle, the engine that drives the mortgage industry.

- The Stages of the Mortgage Cycle
- Regulatory Compliance
- Key Players in the Mortgage Cycle



The Stages of the Mortgage Cycle

Stage 1:

Preapproval

Often, even before they have found a home, homebuyers request preapproval from a lender to find out how much they can afford to spend and to qualify in advance for a mortgage. While not a required step, a preapproval can serve your homebuyers – and you – well:

- Your homebuyers know how much home they can afford, so you can keep their search focused in that price range
- They can build a budget based on that price, a good step toward sustaining homeownership
- Lenders can measure whether the homebuyers can afford the mortgage and their willingness to pay
- Homebuyers are more attractive to sellers because a lender has determined that they can afford their offer

Preapproval vs. Prequalification:
Mortgage preapproval is based on the homebuyers' income and asset information, which the lender verifies. With their lender's help, they will complete a loan application. Their lender will check their credit, bank statements and other documentation and approve the homebuyers for a specific loan amount.

Mortgage prequalification is also based on income and asset information homebuyers provide a lender, but the lender may not verify it. The lender provides the homebuyers an estimate of how much they can afford.

For more information about preapproval and prequalification, refer your homebuyers to readynest.com.

Stage 2:

Origination

For homebuyers who skip the Preapproval Stage, the Mortgage Cycle begins after they've found a home they wish to purchase and apply for a mortgage. They may complete the loan application on their own, but more commonly, a loan originator (LO) or processor will interview them over the phone, online or in person to complete it.

Working together, the processor and homebuyers gather the information and documentation that paint a picture of the homebuyers' financial situation and the value of the property they wish to finance.

Stage 3:

Processing

In Stage 3, the lender's loan processor centralizes and organizes all the information used to make a loan decision. Using the information contained in the loan application, the loan processor will order credit reports (if the LO didn't already) and a property appraisal. The processor also will initiate the collection of additional documents as dictated by the loan application and/or the reports generated by an automated underwriting system (AUS), such as Fannie Mae's Desktop Underwriter (DU) or Freddie Mac's Loan Product Advisor.

The processor reviews the information on the application against various supporting documents. In many organizations, the processor uses a variety of technologies, along with knowledge of lender and investor requirements, to determine the information and documentation necessary to complete the loan file. Once the file is complete, the processor reviews it for accuracy and then hands it off for underwriting or validation.

Stage 4

Underwriting

In this stage of the Mortgage Cycle, an underwriter reviews and evaluates the information in the loan file to ensure the loan meets investor guidelines and is of investment quality – in other words, a good credit risk. This may be done with or without the assistance of automated underwriting.

The evaluation considers 4 critical areas of risk, known in the mortgage industry as "The 4 Cs":

Credit: The homebuyers' willingness to repay the loan based on their prior use of credit

Capacity: The homebuyers' ability to repay based on the amount and stability of their income

Capital: The homebuyers' investment in the property from savings and other sources

Collateral: Whether the property's value and marketability provide adequate security for the loan

Learn more about The 4 Cs in Chapter 4, Underwriting.

Based on the results of the evaluation, the underwriter either approves or denies the loan, or suspends it for additional information.

Stage 5:

Closing

Once approved, the loan is ready for closing, where the sellers transfer ownership to the homebuyers, and money is transferred among the parties involved in the transaction. The processor schedules the closing date and creates documents reflecting the repayment terms of the mortgage. At closing, the homebuyers sign documents, and if their possession date is the same as their closing date, they receive the keys to their home. As far as the new homebuyers are concerned, the process ends here – but the Mortgage Cycle rolls on.

Because mortgages are marketable assets that generate future revenue, the lender has several options to consider regarding closed loans:

- Keep and service the loan in its own portfolio
- Keep servicing rights, but sell the loan to the Secondary Market (see Stage 8)
- Sell both the loan and servicing rights to an investor

Portfolio: A collection of loans held by a lender for servicing and as an investment

Stage 6:

Warehousing

Some lenders will hold closed loans for a short period of time before selling them to investors. This is called "warehousing."

Stage 7:

Delivery

Some loans are neither held in a portfolio, nor warehoused; instead, they are immediately sold to an investor. In the Delivery stage of the Mortgage Cycle, lenders will create packages – or "pools" – of loans underwritten to specific investor requirements (for example, all jumbo loans or all conforming loans) and sell them to investors.

In today's mortgage lending environment, the majority of loans are sold to investors in the Secondary Market – the next stage in the Mortgage Cycle.

Stage 8:

Secondary Market

Lenders and investors sell and buy mortgages in the Secondary Market. Although the homebuyers may not realize it, the sale of their mortgage was most likely arranged during origination, at the time the interest rate was locked. By selling the loan to an investor, the lender gets money back to begin the whole Mortgage Cycle over again with funding available for new borrowers. Without the Secondary Market, many lenders would soon run out of money to lend.

Stage 9:

Loan Servicing

Regardless of whether a loan is held in portfolio or sold, it must be serviced. Loan servicing, sometimes called "loan administration," typically consists of collecting mortgage payments, funding escrow accounts to pay property taxes and insurance premiums, and passing principal and interest on to the investor. It also deals with collections and foreclosures.

Government-sponsored entities (GSEs) Fannie Mae and Freddie Mac make up the largest buyers of mortgages in the Secondary Market. They provide a network for the purchase, sale and guarantee of existing mortgages and mortgage pools in the Secondary Market. Fannie Mae and Freddie Mac purchase and securitize loans and sell them in the form of mortgage-backed securities (MBS), ensuring a continual flow of money to originate new mortgages throughout the United States.

Securitize: The process of taking a group of individual loans and pooling them together to form an investment very similar to a bond, known as a mortgage-backed security or an MBS. Each month, the principal and interest payments of the pooled mortgages are passed on to the owners of the security.

Regulatory Compliance

Regulatory compliance is integral and woven throughout the Mortgage Cycle. Just as various federal and state consumer-protection laws and regulations affect your job every working day, lenders are obligated to recognize and comply with established requirements and prohibitions. Their obligation begins the moment homebuyers call for information on mortgage products and services (Origination) and continues through the Closing stage.

Below, we provide a high-level summary of the most significant laws and regulations that protect your homebuyers. This information is not intended to be complete or all-inclusive; it is intended to make you aware of these laws and regulations. Do not consider it a comprehensive regulatory guide or use it as the basis for any specific action without obtaining the advice of your own knowledgeable, experienced counsel.

A High-Level Summary of Compliance

Fair Housing Act

The Fair Housing Act prohibits discrimination in the sale, rental and financing of residential housing in order to protect consumers against unfair activities that would deny them housing. It specifically prohibits discrimination based on race, color, national origin, religion, sex, disability or familial status.

Fair Credit Reporting Act (FCRA, pronounced, fek' - rah)

Because virtually all mortgage lenders use credit reports to evaluate a borrower's credit history, they must adhere to FCRA requirements. This act promotes accuracy, fairness and privacy of information in the files of consumer reporting agencies. Among other requirements, FCRA limits whom a credit reporting agency can furnish credit reports to, and it places disclosure obligations on those who use consumer credit reports. FCRA also permits individuals to receive a copy of their report from a credit reporting agency and dispute any information they believe to be inaccurate.

Equal Credit Opportunity Act (ECOA, pronounced ee - ko' - ah)

ECOA prevents financial institutions and other lenders from unlawfully discriminating in the evaluation of an applicant's creditworthiness. Among other requirements, ECOA obligates lenders and other creditors to make credit equally available without discrimination based on sex, race, religion, national origin, age (with some exceptions), marital status or receipt of public assistance. In short, its purpose is to require financial institutions to make credit equally available to all creditworthy applicants.

Homeowners Protection Act (HPA) of 1998

The HPA establishes rules for automatic termination and homebuyer cancellation of private mortgage insurance on home mortgages. These protections apply to certain home mortgages signed on or after July 29, 1999, for the purchase, initial construction or refinance of a single-family home. The protections do not apply to government-insured FHA or VA loans.
The HPA protects homeowners from continuing to pay mortgage insurance once a mortgage's principal balance reaches 78% of the original value of the property. (For a purchase transaction, original property value is the lesser of the property sales price and appraised value. For a refinance transaction, original value is the appraised value.) Mortgage insurance is automatically cancelled at that point if the loan is current. The automatic termination and homebuyer cancellation requirements do not apply to loans with lender-paid private mortgage insurance.

The Gramm-Leach Bliley Act (GLB)

GLB protects the privacy of certain nonpublic, consumer information. Under GLB, a lender is responsible for setting up controls to protect the privacy of homebuyer information, from application through archiving.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank):

Enacted in July 2010 in an effort to prevent financial crisis, Dodd-Frank enforces transparency and accountability in the financial industry with regulatory processes that help protect consumers. It includes numerous reforms:

- **Consumer Financial Protection Bureau (CFPB):** The Dodd-Frank Act established the CFPB to help educate consumers so they can make the best financial decisions for themselves and their families. The Bureau is also charged with protecting consumers from predatory lending practices by banks, credit unions and other financial companies, by enforcing and monitoring financial markets. The CFPB is responsible for regulating the practices of mortgage lenders, servicers, brokers, appraisers and settlement firms, among other "covered persons" and "service providers." It also enforces consumer protection laws, such as the Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act, the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA).
- **Qualified Mortgages (QMs) and the Ability-To-Repay (ATR) Requirement:** Dodd-Frank introduced the Qualified Mortgage as part of the Ability-to-Repay rule. All QM loans must meet a certain set of product feature requirements. The ATR requirement means the creditor must make "a reasonable and good faith determination" that the homebuyers have the ability to repay the loan according to its terms. A creditor can satisfy the ATR requirement by evaluating certain underwriting factors.
- **TILA-RESPA Integrated Disclosures (TRID):** Under the direction of the Dodd-Frank Act, the CFPB integrated these disclosures, effective Oct. 3, 2015.
  - **Loan Estimate (LE):** The Loan Estimate (see Appendices) helps consumers understand the key features, costs and risks of the mortgage loan for which they are applying. Creditors must issue the LE to consumers no later than 3 business days after they submit a loan application
  - **Closing Disclosure (CD):** Creditors must provide the Closing Disclosure (see Appendices) to consumers 3 business days before they close on a loan

The integrated disclosures use clear language to make it easier for consumers to locate key information, including interest rate, monthly payments and closing costs. The forms also provide more information to help consumers decide whether they can afford the loan and compare the cost of different loans, including the cost of the loans over time.

The LE and CD generally require the disclosure of categories of information that will vary based on the loan type, the loan's payment schedule, the fees charged, the terms of the transaction and certain state law provisions. Most closed-end consumer mortgages secured by real property require use of these disclosures.

Home Mortgage Disclosure Act (HMDA, pronounced hum' - da) and Regulation C:

Unlike the Fair Housing Act and ECOA, HMDA does not prohibit housing discrimination. Rather, it requires lending institutions to report certain data regarding mortgage loan approvals and denials, such as the geographic location of the secured property; the loan applicant's race, ethnicity and sex; and whether the loan was granted. The lending data reported under HMDA is publicly available and can be used to determine whether financial institutions are serving the housing needs of their communities or engaged in possible discriminatory lending patterns (i.e., "redlining").

This information helps the government identify neighborhoods that could use its assistance. It's important to remember that while HMDA is used to monitor unfair lending practices, it does not encourage unsound, risky lending.

USA PATRIOT Act (Patriot Act)

To help the government fight the funding of terrorism and money-laundering activities, the USA PATRIOT Act (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001) requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

Redlining: The illegal act of denying credit to persons residing in specific geographic areas or using discriminatory lending practices based on location

Key Players in the Mortgage Cycle

Homebuyers

These are consumers financing or refinancing primary residences, second homes or investment properties with a mortgage loan.

Lenders

This broad term describes a role played by individuals, companies or institutions who lend money secured by real estate (mortgages).

Retail originators originate mortgages for their employer. They close loans in their employer's name, and the employer's money funds the loans. Employers of retail originators include banks, credit unions and mortgage banks. In the retail channel, direct-to-consumer or call center teams respond to leads generated by the Internet, direct calls and existing customers.

Mortgage brokers originate mortgages for multiple wholesalers (defined below). They close loans in the wholesaler's name with the wholesaler's funds.

Correspondent lenders originate and fund mortgages in their own name. They sell these loans to larger lenders, who service the loans and may also sell them to the Secondary Market. Homebuyers who use a correspondent lender will often see their mortgage bills and payments transfer to a larger bank shortly after closing.

Intermediaries

Intermediaries move loans from origination to the end investor.

The GSEs serve as an intermediary when they sell mortgage-backed securities in the Secondary Market.

Wholesalers are organizations that provide funds for mortgage brokers. They package loans and sell them to correspondents, aggregators, the GSEs, etc.

Aggregators are companies whose purpose is to package loans for whole-loan and mortgage-backed securities to sell to investors.

Investors

Investors are ultimately the source of the funds lent. The GSEs play an additional role in the Secondary Market, acting as an investor by holding mortgages as assets.

Depository institutions, insurance companies, investment firms, pension funds and foreign investors are also investors in the Secondary Market.

Other Key, Specialized Players

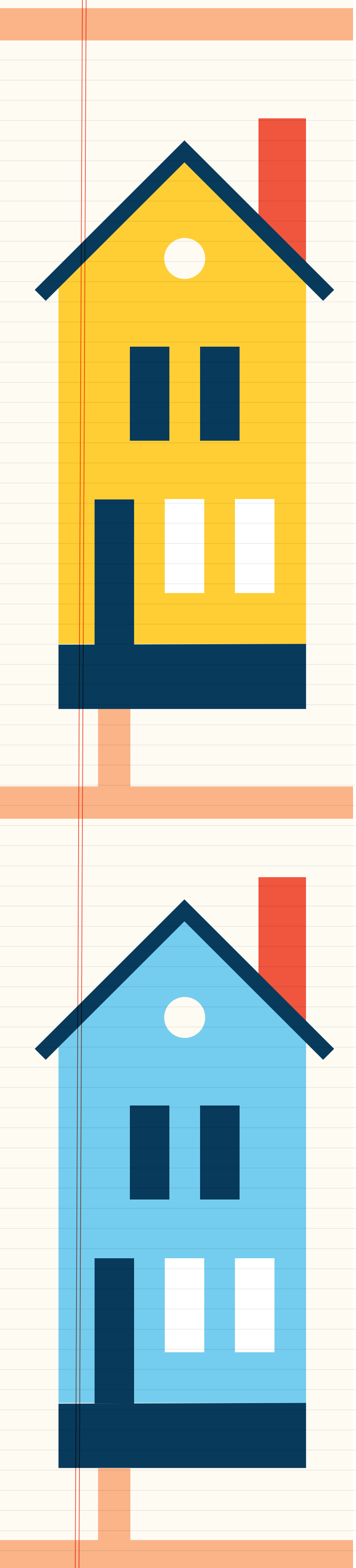
Other key players perform significant, specialized roles in the Mortgage Cycle:

- The US Department of Housing and Urban Development (HUD) insures loans
- The US Department of Veterans Affairs (VA), Federal Housing Administration (FHA) and US Department of Agriculture Rural Development (USDA-RD) guarantee mortgages
- Private mortgage insurance (PMI) companies, such as MGIC, insure loans against loss due to foreclosure
- Appraisal management companies (AMCs) provide market evaluation expertise
- Title companies insure against title defects
- Credit agencies provide data that enables lenders to make sound lending decisions
- Federal Home Loan Banks (FHLBs) provide funds for lending institutions that provide mortgages and similar loan agreements to individuals
- Housing finance agencies (HFAs) deliver financing to make the purchase, development and rehabilitation of affordable homes possible for low- and moderate-income households

CHAPTER TWO

Originating The Loan

Once your homebuyers reach this stage of the **Mortgage Cycle**, their lender's first step will be to help them select the best loan for their circumstance. While you may not be directly involved at this point, you can play a very important role by preparing your homebuyers' expectations and responsibilities.



Helping Your Homebuyers Understand Their Loan Options

As a real estate professional, your familiarity with the various loan types and programs, can only benefit your homebuyers and reinforce your role as Trusted Advisor.

Loan Types

- **Conventional loans** are NOT insured or guaranteed by the federal government. They fall into 2 categories:
  - **Conforming loans** meet all requirements to be eligible for purchase or securitization by an investor, such as Fannie Mae or Freddie Mac
  - **Nonconforming loans** feature some aspect – loan amount, loan-to-value (LTV) ratio, term, etc. – that exceeds investor limits. A jumbo loan – one that exceeds Fannie Mae/Freddie Mac's maximum loan amount limit – is an example of a nonconforming loan
- **Government loans** are either insured or guaranteed by a federal government agency such as the FHA, VA or USDA-RD

The *For Sale to Sold* program focuses on common conventional loans.

> Conventional loans with a down payment less than 20% require private mortgage insurance, also called "PMI" or "MI." MI provides protection that allows lenders to make more loans with high LTVs and require less money down.

Loan Programs

Loans are further categorized into loan programs.

Loan Program Considerations

To help your homebuyers think through the best loan program for their situation, prepare them for the types of questions their lender may ask them, like:

How important is payment certainty? If knowing their principal and interest (P & I) payment will be the same every month is important, homebuyers may want to consider a fixed-rate mortgage.

How important is rapid equity buildup? If building home equity fast is a factor, homebuyers may want to consider a shorter amortization period, such as a 15-year, fixed-rate mortgage.

Do the homebuyers anticipate increasing income? They may want to take advantage of a lower initial interest rate on an adjustable-rate mortgage (ARM) or a temporary buydown – expecting their income increase to offset any increase in their mortgage payment.

Other factors to consider:

- The homebuyers' ability to qualify at market rates for the loan amount selected
- How long they plan to live in the home they're purchasing
- Where market rates stand – high versus low
- The possibility of significant changes in interest rates
- Up-front costs, such as application or processing fees

Having thought through these options, your homebuyers will be ahead of the curve when they meet with their lender.

Common Loan Programs	Characteristics
15- and 30-Year Fixed-Rate Mortgages *Good for borrowers who want the same payment each month*	▷ The interest rate does not change ▷ Principal and interest (P & I) payments do not change ▷ These loans fully amortize over a defined period of time and are paid in full at the end of the loan term ▷ Fixed-rate mortgages are the most popular mortgage ▷ Different loan terms are available (15- and 30-year terms are the most popular) ▷ The shorter the term, the faster homebuyers are able to build equity and pay off the loan; the longer the term, the lower their monthly payment
Balloons *Good for buyers who anticipate refinancing or selling*	▷ The P & I payment and interest rate do not change ▷ Homebuyers make regular monthly P & I payments based on a 30-year amortization, while the unpaid balance (balloon) is due at the end of a shorter, predetermined term, typically 5, 7 or 10 years ▷ The interest rate is typically less than those for fixed-rate loans ▷ Most homebuyers anticipate refinancing or selling prior to the end of the balloon term
Temporary Buydowns *Good for buyers who expect income to increase*	▷ The homebuyers or seller may pay a percentage to temporarily "buy down," or decrease, the interest rate ▷ The decreased interest rate reduces the monthly payment ▷ The interest rate/payment is typically reduced for 1, 2 or 3 years
Adjustable-Rate Mortgages (ARMs) *Good for buyers who expect income to increase*	▷ There is potential for the interest rate/payment to fluctuate ▷ Rate adjustments help lenders cover the cost of lending in a changing economy ▷ ARMs transfer to the homebuyers a portion of the risk associated with a changing economy ▷ In exchange for sharing the risk, ARMs offer homebuyers substantially lower initial interest rates than those for fixed-rate mortgages ▷ The lower initial interest rate reduces the monthly payment

The Loan Application

Once your homebuyers land on the best loan program for themselves, they're ready to take the next step in the Origination process: completing their loan application to finance their mortgage.

The loan application is the framework for your homebuyers' mortgage loan file. It guides the lender to the information needed to determine whether they are worthy candidates for a mortgage, based on The 4 Cs: Credit, Capacity, Capital and Collateral. (Learn more about The 4 Cs in Chapter 4, Underwriting.)

Officially called the Uniform Residential Loan Application (URLA), the loan application is published by Fannie Mae and Freddie Mac. Fannie Mae calls it Form 1003 (pronounced ten-oh-three); Freddie Mac, Form 65. It's a standardized document that's been in use for more than 20 years in all US states and territories.

While homebuyers may complete some of the form themselves, it may be their lender's policy to complete the actual document during a phone or in-person interview.

Set the table for an expedient, successful process. Once your homebuyers sign their sales contract, a lot of plate spinning begins. Here are some tips for you and your homebuyers to help get everyone to the closing table as quickly as possible with as few bumps as possible:

- **Encourage your homebuyers to use technology where ever possible** to obtain and submit documentation
- **Be accessible and responsive** to your homebuyers and their lender; likewise, encourage their accessibility and responsiveness. Open communication among all parties – even for small changes to information – provides transparency, helps set everyone at ease, boosts trust and confidence and keeps things moving
- **Step up to your role as the industry expert.** Don't assume your homebuyers know how the process works; they likely don't and will be comforted by your expertise and knowledge
- **Set expectations.** If your homebuyers come to you without a preapproval, referring them to a lender partner early in the process will save everybody time
- **Determine your homebuyers' preferred method of communication** – calls, texts, emails – and establish time frames for their timely responses

The quality of the information your homebuyers provide on the loan application can make or break a closing date or, even worse, the whole transaction. Thorough, accurate information throughout the homebuying process is the quickest way to move your homebuyers into their home.

As a Trusted Advisor, you can guide their thinking by preparing them with questions their lender may ask them, such as:

How do you pay your rent – cash, check, money order, online? Do you have access to copies of the cancelled checks or money orders?

Are you aware of any credit problems you may have? If so, when did they occur?

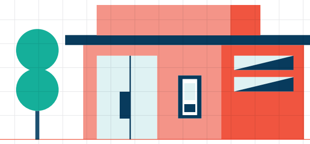
Do you have any student loans? If yes, are they current or in deferment?

What funds will you be using for the down payment – checking, savings, stocks, gifts of cash?

If divorced, does your divorce decree indicate any monthly obligations?

The following pages provide a high-level walk-through of the loan application and the information the lender will request from your homebuyers.

Completing the Loan Application



Section 1: Borrower Information

The importance of this section of the loan application cannot be overstated. It will guide the lender's evaluation of 2 of The 4 Cs: Credit and Capacity. They will need complete, accurate information to order your homebuyers' credit reports, which are key to building their risk profile. Once built, the lender will be able to assess your homebuyers' willingness to repay the loan based on their prior use of credit.

The lender will collect information regarding your homebuyers' income and employment, a reflection of their capacity to repay based on the amount and stability of their income.

1a. Personal Information

This section of the loan application asks for personal information: name, address/residency history, Social Security number, contact information, etc.

*To be completed by the **Lender:***
Lender Loan No./Universal Loan Identifier 12345 Agency Case No. ______

Uniform Residential Loan Application

Verify and complete the information on this application. If you are applying for this loan with others, each additional Borrower must provide information as directed by your Lender.

Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Information

Name *(First, Middle, Last, Suffix)* Peter Simon
Alternate Names – *List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)*

Social Security Number XXX – XX – 2030 *(or Individual Taxpayer Identification Number)*
Date of Birth *(mm/dd/yyyy)* 03 / 06 / 1970
Citizenship ◉ U.S. Citizen ○ Permanent Resident Alien ○ Non-Permanent Resident Alien

Type of Credit
○ I am applying for **individual credit.**
◉ I am applying for **joint credit.** Total Number of Borrowers: 2
Each Borrower intends to apply for joint credit. **Your initials:** ps

List Name(s) of Other Borrower(s) Applying for this Loan *(First, Middle, Last, Suffix) – Use a separator between names*
Elizabeth Simon

Marital Status ◉ Married ○ Separated ○ Unmarried *(Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)*
Dependents *(not listed by another Borrower)* Number 1 Ages 12

Contact Information
Home Phone (713) 438 – XXXX
Cell Phone (713) 321 – XXXX
Work Phone (713) 497 – XXXX **Ext.** ______
Email p-simon@email.com

Current Address
Street 12 Oakwood Lane Unit # ______
City Pleasant Valley State XY ZIP 99999 Country USA
How Long at Current Address? 4 Years 0 Months **Housing** ○ No primary housing expense ◉ Own ○ Rent ($______/month)

If at Current Address for LESS than 2 years, list Former Address ☑ *Does not apply*
Street ______ Unit # ______
City ______ State ______ ZIP ______ Country ______
How Long at Former Address? ___ Years ___ Months **Housing** ○ No primary housing expense ○ Own ○ Rent ($______/month)

Mailing Address – *if different from Current Address* ☑ ***Does not apply***
Street ______ Unit # ______
City ______ State ______ ZIP ______ Country ______

1b. Current Employment/Self-Employment and Income ☐ *Does not apply*

Employer or Business Name Franklin Elementary School Phone (713) 497 – XXXX
Street 17 Barker Rd Unit # ______
City Pleasant Valley State XY ZIP 99999 Country USA

Position or Title Music Teacher
Start Date 09 / 01 / 2010 *(mm/dd/yyyy)*
How long in this line of work? 20 Years 0 Months

Check if this statement applies:
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ **Check if you are the Business Owner or Self-Employed** ○ I have an ownership share of less than 25%. ○ I have an ownership share of 25% or more. **Monthly Income (or Loss)** $ ______

Gross Monthly Income
Base $ 3,708.00 /month
Overtime $ ______ /month
Bonus $ ______ /month
Commission $ ______ /month
Military Entitlements $ ______ /month
Other $ ______ /month
TOTAL $ 3,708.00 /month

Uniform Residential Loan Application
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 1/2021

1 b-1c. Employment, 1d. Income from Other Sources:

This part of the application asks for information about income from employment and other sources your homebuyers want the lender to consider to qualify for their loan. If your homebuyers have any gaps in their employment history, the lender may require an explanation.

1b. Current Employment/Self-Employment and Income ☐ *Does not apply*

Employer or Business Name Franklin Elementary School Phone (713) 497 – XXXX
Street 17 Barker Rd Unit # ______
City Pleasant Valley State XY ZIP 99999 Country USA

Position or Title Music Teacher
Start Date 09 / 01 / 2010 *(mm/dd/yyyy)*
How long in this line of work? 20 Years 0 Months

Check if this statement applies:
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ **Check if you are the Business Owner or Self-Employed** ○ I have an ownership share of less than 25%. ○ I have an ownership share of 25% or more. **Monthly Income (or Loss)** $ ______

Gross Monthly Income
Base $ 3,708.00 /month
Overtime $ ______ /month
Bonus $ ______ /month
Commission $ ______ /month
Military Entitlements $ ______ /month
Other $ ______ /month
TOTAL $ 3,708.00 /month

1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income ☑ Does not apply

Employer or Business Name ______ Phone (___) ___ – ____
Street ______ Unit # ______
City ______ State ______ ZIP ______ Country ______

Position or Title ______
Start Date ___ / ___ / _____ *(mm/dd/yyyy)*
How long in this line of work? ___ Years ___ Months

Check if this statement applies:
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ **Check if you are the Business Owner or Self-Employed** ○ I have an ownership share of less than 25%. ○ I have an ownership share of 25% or more. **Monthly Income (or Loss)** $ ______

Gross Monthly Income
Base $ ______ /month
Overtime $ ______ /month
Bonus $ ______ /month
Commission $ ______ /month
Military Entitlements $ ______ /month
Other $ ______ /month
TOTAL $ 0.00 /month

1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income ☑ Does not apply

Provide at least 2 years of current and previous employment and income.

Employer or Business Name ______
Street ______ Unit # ______
City ______ State ______ ZIP ______ Country ______

Position or Title ______
Start Date ___ / ___ / _____ *(mm/dd/yyyy)*
End Date ___ / ___ / _____ *(mm/dd/yyyy)*

☐ **Check if you were the Business Owner or Self-Employed**

Previous Gross Monthly Income $ ______ **/month**

1e. Income from Other Sources ☑ Does not apply

Include income from other sources below. Under Income Source, choose from the sources listed here:

- Alimony
- Automobile Allowance
- Boarder Income
- Capital Gains
- Child Support
- Disability
- Foster Care
- Housing or Parsonage
- Interest and Dividends
- Mortgage Credit Certificate
- Mortgage Differential Payments
- Notes Receivable
- Public Assistance
- Retirement *(e.g., Pension, IRA)*
- Royalty Payments
- Separate Maintenance
- Social Security
- Trust
- Unemployment Benefits
- VA Compensation
- Other

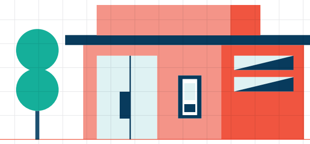
NOTE: *Reveal alimony, child support, separate maintenance, or other income ONLY IF you want it considered in determining your qualification for this loan.*

Income Source – *use list above*	**Monthly Income**
	$
	$
	$
Provide TOTAL Amount Here	**$ 0.00**

Section 2: Financial Information — Assets and Liabilities.
My information for Section 2 is listed on the Uniform Residential Loan Application with Peter Simon
(insert name of Borrower)

Section 3: Financial Information — Real Estate.
My information for Section 3 is listed on the Uniform Residential Loan Application with Peter Simon
(insert name of Borrower)

Completing the Loan Application



Section 2: Financial Information – Assets and Liabilities

Section 2a-2b: Financial Information

The Assets portion of Section 2 of the loan application addresses the Capital component of The 4 Cs. The information the lender gathers measures the strength of your homebuyers' capital investment in the property. By identifying and verifying cash or assets that can be readily converted into cash, the lender will be able to confirm whether your homebuyers have enough capital to close the mortgage transaction, including funds for the down payment, closing costs and cash reserves, if required. Reviewing assets also helps the lender understand the homebuyers' saving pattern.

In order to close, the lender may need to get verification for each asset your homebuyers list.

Section 2c-2d. Liabilities

In the Liabilities portion of Section 2, the lender revisits your homebuyers' capacity to repay their new mortgage relative to the amount of debt they carry. Here your homebuyers will list debts they are obligated to pay on a monthly basis. While most debts will appear on the credit report, there are some, such as child support and alimony, that do not. To minimize surprises later in the process, it's important your homebuyers discuss with their lender exactly what their monthly debt obligations include, such as deferred student loans and auto lease payments.

Section 2: Financial Information — Assets and Liabilities. This section asks about things you own that are worth money and that you want considered to qualify for this loan. It then asks about your liabilities (or debts) that you pay each month, such as credit cards, alimony, or other expenses.

2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have

Include all accounts below. Under Account Type, choose from the types listed here:
• Checking • Savings • Money Market • Certificate of Deposit • Mutual Fund • Stocks • Stock Options • Bonds • Retirement *(e.g., 401k, IRA)* • Bridge Loan Proceeds • Individual Development Account • Trust Account • Cash Value of Life Insurance *(used for the transaction)*

Account Type – *use list above*	Financial Institution	Account Number	Cash or Market Value
Savings	Teachers Credit Union	06083-00	$ 5,562.00
Checking	Teachers Credit Union	06083-71	$ 1,367.00
Retirement	Vanguard	4114-556	$ 50,000.00
			$
			$
		Provide TOTAL Amount Here	$ 56,929.00

2b. Other Assets and Credits You Have ☐ *Does not apply*

Include all other assets and credits below. Under Asset or Credit Type, choose from the types listed here:
Assets
• Proceeds from Real Estate Property to be sold on or before closing • Proceeds from Sale of Non-Real Estate Asset • Secured Borrowed Funds • Unsecured Borrowed Funds • Other
Credits
• Earnest Money • Employer Assistance • Lot Equity • Relocation Funds • Rent Credit • Sweat Equity • Trade Equity

Asset or Credit Type – *use list above*	Cash or Market Value
Proceeds from Real Estate Property to be sold on or before closing	$ 18,150.00
Earnest Money	$ 3,000.00
	$
	$
Provide TOTAL Amount Here	$ 21,150.00

2c. Liabilities – Credit Cards, Other Debts, and Leases that You Owe ☐ *Does not apply*

List all liabilities below (except real estate) and include deferred payments. Under Account Type, choose from the types listed here:
• Revolving *(e.g., credit cards)* • Installment *(e.g., car, student, personal loans)* • Open 30-Day *(balance paid monthly)* • Lease *(not real estate)* • Other

Account Type – *use list above*	Company Name	Account Number	Unpaid Balance	To be paid off at or before closing	Monthly Payment
Installment	Auto World	124578	$ 10,000.00	☐	$ 500.00
Installment	Auto World	986532	$ 4,789.00	☐	$ 368.00
Installment	Higher Education	1348AP9527	$ 15,751.00	☐	$ 160.00
Revolving	Acme Credit	60190024554	$ 121.00	☐	$ 32.00
Revolving	Discover Card	97531246890	$ 1,000.00	☐	$ 50.00

2d. Other Liabilities and Expenses ☑ *Does not apply*

Include all other liabilities and expenses below. Choose from the types listed here:
• Alimony • Child Support • Separate Maintenance • Job Related Expenses • Other

	Monthly Payment
	$
	$
	$

Borrower Name: Peter Simon
Uniform Residential Loan Application
Freddie Mac Form 65 • Fannie Mae Form 1003
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Section 2: Financial Information — Assets and Liabilities. This section asks about things you own that are worth money and that you want considered to qualify for this loan. It then asks about your liabilities (or debts) that you pay each month, such as credit cards, alimony, or other expenses.

2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have

Include all accounts below. Under Account Type, choose from the types listed here:
• Checking • Savings • Money Market • Certificate of Deposit • Mutual Fund • Stocks • Stock Options • Bonds • Retirement *(e.g., 401k, IRA)* • Bridge Loan Proceeds • Individual Development Account • Trust Account • Cash Value of Life Insurance *(used for the transaction)*

Account Type – *use list above*	Financial Institution	Account Number	Cash or Market Value
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Checking	Teachers Credit Union	06083-71	$ 1,367.00
Retirement	Vanguard	4114-556	$ 50,000.00
			$
			$
		Provide TOTAL Amount Here	$ 56,929.00

2b. Other Assets and Credits You Have ☐ *Does not apply*

Include all other assets and credits below. Under Asset or Credit Type, choose from the types listed here:
Assets
• Proceeds from Real Estate Property to be sold on or before closing • Proceeds from Sale of Non-Real Estate Asset • Secured Borrowed Funds • Unsecured Borrowed Funds • Other
Credits
• Earnest Money • Employer Assistance • Lot Equity • Relocation Funds • Rent Credit • Sweat Equity • Trade Equity

Asset or Credit Type – *use list above*	Cash or Market Value
Proceeds from Real Estate Property to be sold on or before closing	$ 18,150.00
Earnest Money	$ 3,000.00
	$
	$
Provide TOTAL Amount Here	$ 21,150.00

2c. Liabilities – Credit Cards, Other Debts, and Leases that You Owe ☐ *Does not apply*

List all liabilities below (except real estate) and include deferred payments. Under Account Type, choose from the types listed here:
• Revolving *(e.g., credit cards)* • Installment *(e.g., car, student, personal loans)* • Open 30-Day *(balance paid monthly)* • Lease *(not real estate)* • Other

Account Type – *use list above*	Company Name	Account Number	Unpaid Balance	To be paid off at or before closing	Monthly Payment
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Installment	Auto World	986532	$ 4,789.00	☐	$ 368.00
Installment	Higher Education	1348AP9527	$ 15,751.00	☐	$ 160.00
Revolving	Acme Credit	60190024554	$ 121.00	☐	$ 32.00
Revolving	Discover Card	97531246890	$ 1,000.00	☐	$ 50.00

2d. Other Liabilities and Expenses ☑ *Does not apply*

Include all other liabilities and expenses below. Choose from the types listed here:
• Alimony • Child Support • Separate Maintenance • Job Related Expenses • Other

	Monthly Payment
	$
	$
	$

Borrower Name: Peter Simon
Uniform Residential Loan Application
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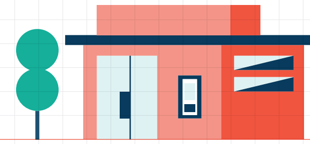

Section 3: Financial Information; Section 4: Loan and Property Information

Section 3: Financial Information - Real Estate

In Section 3, the lender will collect details about any properties your homebuyers have an ownership interest in, including undeveloped land. They will use this information with the credit report to verify any existing balances and monthly payments and to check for any late payments on the account. A good mortgage history speaks well to your homebuyers' use of credit.

Section 3: Financial Information — Real Estate. This section asks you to list all properties you currently own and what you owe on them. ☐ ***I do not own any real estate***

3a. Property You Own **If you are refinancing, list the property you are refinancing FIRST.**

Address Street 12 Oakwood Lane Unit #
City Pleasant Valley State XY ZIP 99999 Country USA

Property Value	**Status:** Sold, Pending Sale, or Retained	**Intended Occupancy:** Investment, Primary Residence, Second Home, Other	**Monthly Insurance, Taxes, Association Dues, etc.** *if not included in Monthly Mortgage Payment*	For 2-4 Unit Primary or Investment Property: **Monthly Rental Income**	For 2-4 Unit Primary or Investment Property: **For LENDER to calculate:** Net Monthly Rental Income
$ 150,000.00	Pending Sale	Primary Residence	$ 0.00	$ 0.00	$

Mortgage Loans on this Property ☐ ***Does not apply***

Creditor Name	**Account Number**	**Monthly Mortgage Payment**	**Unpaid Balance**	*To be paid off at or before closing*	**Type:** FHA, VA, Conventional, USDA-RD, Other	**Credit Limit** *(if applicable)*
American Mtg Corp	4789	$ 931.00	$ 116,850.00	☑	Conventional	$
		$	$	☐		$

3b. IF APPLICABLE, Complete Information for Additional Property ☑ ***Does not apply***

Address Street Unit #
City State ZIP Country

Property Value	**Status:** Sold, Pending Sale, or Retained	**Intended Occupancy:** Investment, Primary Residence, Second Home, Other	**Monthly Insurance, Taxes, Association Dues, etc.** *if not included in Monthly Mortgage Payment*	For 2-4 Unit Primary or Investment Property: **Monthly Rental Income**	For 2-4 Unit Primary or Investment Property: **For LENDER to calculate:** Net Monthly Rental Income
$			$	$	$

Mortgage Loans on this Property ☐ ***Does not apply***

Creditor Name	**Account Number**	**Monthly Mortgage Payment**	**Unpaid Balance**	*To be paid off at or before closing*	**Type:** FHA, VA, Conventional, USDA-RD, Other	**Credit Limit** *(if applicable)*
		$	$	☐		$
		$	$	☐		$

3c. IF APPLICABLE, Complete Information for Additional Property ☑ ***Does not apply***

Address Street Unit #
City State ZIP Country

Property Value	**Status:** Sold, Pending Sale, or Retained	**Intended Occupancy:** Investment, Primary Residence, Second Home, Other	**Monthly Insurance, Taxes, Association Dues, etc.** *if not included in Monthly Mortgage Payment*	For 2-4 Unit Primary or Investment Property: **Monthly Rental Income**	For 2-4 Unit Primary or Investment Property: **For LENDER to calculate:** Net Monthly Rental Income
$			$	$	$

Mortgage Loans on this Property ☐ ***Does not apply***

Creditor Name	**Account Number**	**Monthly Mortgage Payment**	**Unpaid Balance**	*To be paid off at or before closing*	**Type:** FHA, VA, Conventional, USDA-RD, Other	**Credit Limit** *(if applicable)*
		$	$	☐		$
		$	$	☐		$

Borrower Name: Peter Simon
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Section 4: Loan and Property Information

Section 4 of the loan application collects information about the property, or in terms of The 4 Cs, the Collateral. The lender will provide some of this information to the appraiser to begin the appraisal process. The appraiser will validate whether the property's value and marketability will provide adequate Collateral, in other words, security for the loan.

If any or all of your homebuyers' down payment is from a gift (must be from a relative), they will need to provide the lender:

- Evidence they received the gift
- A gift letter signed by the donor stating:
  - Donor's name and relationship to the borrowers
  - Donor's mailing address and phone number
  - Amount of the gift and the date received
  - Repayment is neither expected nor required

Section 4: Loan and Property Information. This section asks about the loan's purpose and the property you want to purchase or refinance.

4a. Loan and Property Information

Loan Amount $ 180,000.00 **Loan Purpose** ◉ Purchase ○ Refinance ○ Other *(specify)*
Property Address Street 126 Lake View Lane Unit #
City Pleasant Valley State XY ZIP 99999 Country USA
Number of Units 1 **Property Value $** 200,000.00
Occupancy ◉ Primary Residence ○ Second Home ○ Investment Property **FHA Secondary Residence** ☐

1. **Mixed-Use Property.** If you will occupy the property, will you set aside space within the property to operate your own business? *(e.g., daycare facility, medical office, beauty/barber shop)* ◉ NO ○ YES
2. **Manufactured Home.** Is the property a manufactured home? *(e.g., a factory built dwelling built on a permanent chassis)* ◉ NO ○ YES

4b. Other New Mortgage Loans on the Property You are Buying or Refinancing ☑ ***Does not apply***

Creditor Name	**Lien Type**	**Monthly Payment**	**Loan Amount/ Amount to be Drawn**	**Credit Limit** *(if applicable)*
	○ First Lien ○ Subordinate Lien	$	$	$
	○ First Lien ○ Subordinate Lien	$	$	$

4c. Rental Income on the Property You Want to Purchase **For Purchase Only** ☑ ***Does not apply***

Complete if the property is a 2-4 Unit Primary Residence or an Investment Property	**Amount**
Expected Monthly Rental Income	$
For LENDER to calculate: Expected Net Monthly Rental Income	$

4d. Gifts or Grants You Have Been Given or Will Receive for this Loan ☑ ***Does not apply***

Include all gifts and grants below. Under Source, choose from the sources listed here:
• Community Nonprofit • Federal Agency • Relative • State Agency • Lender
• Employer • Local Agency • Religious Nonprofit • Unmarried Partner • Other

Asset Type: Cash Gift, Gift of Equity, Grant	**Deposited/Not Deposited**	**Source** – *use list above*	**Cash or Market Value**
	○ Deposited ○ Not Deposited		$
	○ Deposited ○ Not Deposited		$

Borrower Name: Peter Simon
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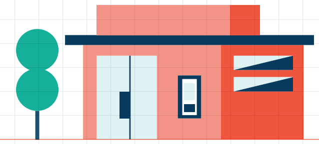

Section 5: Declarations; Section 6: Acknowledgments and Agreements

Section 5: Declarations

The information the lender gathers in Section 5 of the loan application supplies a snapshot of the homebuyers' credit history from a legal perspective. For example:

- Have they declared any bankruptcies?
- Have they had a property foreclosed upon?

This section further reveals their willingness to repay the loan based on their past use of credit. Eventually the lender will use their credit report to confirm their answers.

Section 5: Declarations. This section asks you specific questions about the property, your funding, and your past financial history.

5a. About this Property and Your Money for this Loan

A. Will you occupy the property as your primary residence?	○ NO ◉ YES
If YES, have you had an ownership interest in another property in the last three years?	○ NO ◉ YES
If YES, complete (1) and (2) below:	
(1) What type of property did you own: primary residence (PR), FHA secondary residence (SR), second home (SH), or investment property (IP)?	PR
(2) How did you hold title to the property: by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?	SP
B. If this is a Purchase Transaction: Do you have a family relationship or business affiliation with the seller of the property?	◉ NO ○ YES
C. Are you borrowing any money for this real estate transaction *(e.g., money for your closing costs or down payment)* or obtaining any money from another party, such as the seller or realtor, that you have not disclosed on this loan application?	◉ NO ○ YES
If YES, what is the amount of this money?	$
D. 1. Have you or will you be applying for a mortgage loan on another property (not the property securing this loan) on or before closing this transaction that is not disclosed on this loan application?	◉ NO ○ YES
2. Have you or will you be applying for any new credit *(e.g., installment loan, credit card, etc.)* on or before closing this loan that is not disclosed on this application?	◉ NO ○ YES
E. Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through your property taxes *(e.g., the Property Assessed Clean Energy Program)*?	◉ NO ○ YES

5b. About Your Finances

F. Are you a co-signer or guarantor on any debt or loan that is not disclosed on this application?	◉ NO ○ YES
G. Are there any outstanding judgments against you?	◉ NO ○ YES
H. Are you currently delinquent or in default on a Federal debt?	◉ NO ○ YES
I. Are you a party to a lawsuit in which you potentially have any personal financial liability?	◉ NO ○ YES
J. Have you conveyed title to any property in lieu of foreclosure in the past 7 years?	◉ NO ○ YES
K. Within the past 7 years, have you completed a pre-foreclosure sale or short sale, whereby the property was sold to a third party and the Lender agreed to accept less than the outstanding mortgage balance due?	◉ NO ○ YES
L. Have you had property foreclosed upon in the last 7 years?	◉ NO ○ YES
M. Have you declared bankruptcy within the past 7 years? If YES, identify the type(s) of bankruptcy: ☐ Chapter 7 ☐ Chapter 11 ☐ Chapter 12 ☐ Chapter 13	◉ NO ○ YES

Borrower Name: Peter Simon
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Section 6: Acknowledgments and Agreements

Section 6 lays out your homebuyers' legal obligations once they sign the application:

- They have provided the lender, mortgage insurer, guarantor, servicer, etc., true, accurate and complete information
- The property is secured by a mortgage, providing the lender an interest in the property
- Loan participants may use the value of the property for their purposes
- The homebuyers consent to the use of electronic records and signatures
- The lender and other loan participants may report late payments, which could affect your homebuyers' credit score
- Loan participants are allowed to share the homebuyers' loan application, credit report and related documentation

The loan application is not a binding agreement unless it is signed and dated by your homebuyers.

Section 6: Acknowledgments and Agreements. This section tells you about your legal obligations when you sign this application.

Acknowledgments and Agreements

Definitions:
- "Lender" includes the Lender's agents, service providers, and any of their successors and assigns.
- "Other Loan Participants" includes (i) any actual or potential owners of a loan resulting from this application (the "Loan"), (ii) acquirers of any beneficial or other interest in the Loan, (iii) any mortgage insurer, (iv) any guarantor, (v) any servicer of the Loan, and (vi) any of these parties' service providers, successors or assigns.

I agree to, acknowledge, and represent the following:

(1) The Complete Information for this Application
- The information I have provided in this application is true, accurate, and complete as of the date I signed this application.
- If the information I submitted changes or I have new information before closing of the Loan, I must change and supplement this application, including providing any updated/supplemented real estate sales contract.
- For purchase transactions: The terms and conditions of any real estate sales contract signed by me in connection with this application are true, accurate, and complete to the best of my knowledge and belief. I have not entered into any other agreement, written or oral, in connection with this real estate transaction.
- The Lender and Other Loan Participants may rely on the information contained in the application before and after closing of the Loan.
- Any intentional or negligent misrepresentation of information may result in the imposition of:
  (a) civil liability on me, including monetary damages, if a person suffers any loss because the person relied on any misrepresentation that I have made on this application, and/or
  (b) criminal penalties on me including, but not limited to, fine or imprisonment or both under the provisions of Federal law (18 U.S.C. §§ 1001 *et seq*.).

(2) The Property's Security
The Loan I have applied for in this application will be secured by a mortgage or deed of trust which provides the Lender a security interest in the property described in this application.

(3) The Property's Appraisal, Value, and Condition
- Any appraisal or value of the property obtained by the Lender is for use by the Lender and Other Loan Participants.
- The Lender and Other Loan Participants have not made any representation or warranty, express or implied, to me about the property, its condition, or its value.

(4) Electronic Records and Signatures
- The Lender and Other Loan Participants may keep any paper record and/or electronic record of this application, whether or not the Loan is approved.
- If this application is created as (or converted into) an "electronic application", I consent to the use of "electronic records" and "electronic signatures" as the terms are defined in and governed by applicable Federal and/or state electronic transactions laws.
- I intend to sign and have signed this application either using my:
  (a) electronic signature; or
  (b) a written signature and agree that if a paper version of this application is converted into an electronic application, the application will be an electronic record, and the representation of my written signature on this application will be my binding electronic signature.
- I agree that the application, if delivered or transmitted to the Lender or Other Loan Participants as an electronic record with my electronic signature, will be as effective and enforceable as a paper application signed by me in writing.

(5) Delinquency
- The Lender and Other Loan Participants may report information about my account to credit bureaus. Late payments, missed payments, or other defaults on my account may be reflected in my credit report and will likely affect my credit score.
- If I have trouble making my payments I understand that I may contact a HUD-approved housing counseling organization for advice about actions I can take to meet my mortgage obligations.

(6) Authorization for Use and Sharing of Information
By signing below, in addition to the representations and agreements made above, I expressly authorize the Lender and Other Loan Participants to obtain, use, and share with each other (i) the loan application and related loan information and documentation, (ii) a consumer credit report on me, and (iii) my tax return information, as necessary to perform the actions listed below, for so long as they have an interest in my loan or its servicing:
(a) process and underwrite my loan;
(b) verify any data contained in my consumer credit report, my loan application and other information supporting my loan application;
(c) inform credit and investment decisions by the Lender and Other Loan Participants;
(d) perform audit, quality control, and legal compliance analysis and reviews;
(e) perform analysis and modeling for risk assessments;
(f) monitor the account for this loan for potential delinquencies and determine any assistance that may be available to me; and
(g) other actions permissible under applicable law.

Borrower Signature ______________________ Date *(mm/dd/yyyy)* ____/____/______

Additional Borrower Signature ______________________ Date *(mm/dd/yyyy)* ____/____/______

Borrower Name: Peter Simon
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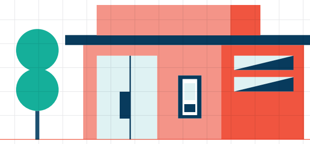

Section 7: Military Service; Section 8: Demographic Information; Section 9: Loan Origination Information

Section 7: Military Service

Section 7 of the loan application gathers information on borrowers' or a deceased spouse's military service.

Section 7: Military Service. This section asks questions about your (or your deceased spouse's) military service.

Military Service of Borrower

Military Service – Did you (or your deceased spouse) ever serve, or are you currently serving, in the United States Armed Forces? ◉ **NO** ○ **YES**

If YES, check all that apply:
☐ Currently serving on active duty with projected expiration date of service/tour ___ / ___ / ______ *(mm/dd/yyyy)*
☐ Currently retired, discharged, or separated from service
☐ Only period of service was as a non-activated member of the Reserve or National Guard
☐ Surviving spouse

Section 8: Demographic Information. This section asks about your ethnicity, sex, and race.

Demographic Information of Borrower

Section 8: Demographic Information

Information the lender collects for Section 8 of the loan application satisfies the federal government's Home Mortgage Disclosure Act. Your homebuyers are not required to provide this information, but encouraged to do so. If the homebuyers choose not to furnish information regarding ethnicity, race or sex, under federal regulations, the lender is required to note the information based on visual observation or surname.

Section 8: Demographic Information. This section asks about your ethnicity, sex, and race.

Demographic Information of Borrower

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, sex, and race) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for "Ethnicity" and one or more designations for "Race." **The law provides that we may not discriminate** on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below.

Ethnicity: *Check one or more*
☐ Hispanic or Latino
☐ Mexican ☐ Puerto Rican ☐ Cuban
☐ Other Hispanic or Latino – *Print origin:*
For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.
☑ Not Hispanic or Latino
☐ I do not wish to provide this information

Sex
☐ Female
☑ Male
☐ I do not wish to provide this information

Race: *Check one or more*
☐ American Indian or Alaska Native – *Print name of enrolled or principal tribe* :
☐ Asian
☐ Asian Indian ☐ Chinese ☐ Filipino
☐ Japanese ☐ Korean ☐ Vietnamese
☐ Other Asian – *Print race:*
For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.
☐ Black or African American
☐ Native Hawaiian or Other Pacific Islander
☐ Native Hawaiian ☐ Guamanian or Chamorro ☐ Samoan
☐ Other Pacific Islander – *Print race:*
For example: Fijian, Tongan, and so on.
☑ White
☐ I do not wish to provide this information

To Be Completed by Financial Institution (for application taken in person):

Was the ethnicity of the Borrower collected on the basis of visual observation or surname? ◉ NO ○ YES
Was the sex of the Borrower collected on the basis of visual observation or surname? ◉ NO ○ YES
Was the race of the Borrower collected on the basis of visual observation or surname? ◉ NO ○ YES

The Demographic Information was provided through:

◉ Face-to-Face Interview *(includes Electronic Media w/ Video Component)* ○ Telephone Interview ○ Fax or Mail ○ Email or Internet

Borrower Name: Peter Simon
Uniform Residential Loan Application
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Section 9: Loan Origination Information

This section provides information about the lending company and the loan originator, including licensing and contact information.

Section 9: Loan Originator Information. To be completed by your **Loan Originator**.

Loan Originator Information

Loan Originator Organization Name ABC Mortgage Company
Address 1000 Any Street, Suite 200, Pleasant Valley, XY 9999
Loan Originator Organization NMLSR ID# 123456 State License ID# MB654321
Loan Originator Name John Smith
Loan Originator NMLSR ID# 7654321 State License ID# XYMLO7654321
Email jsmith@abcmtgco.com Phone (713) 300 – XXXX

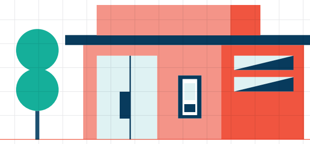
Signature ______ Date *(mm/dd/yyyy)* ___ / ___ / ______

Borrower Name: Elizabeth Simon
Uniform Residential Loan Application — Additional Borrower
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 1/2021

The Home Mortgage Disclosure Act – HMDA (pronounced hum-da) was designed to monitor whether financial institutions adequately serve the credit needs of their communities and to ensure that they do not redline.

HMDA requires institutions to report certain data regarding mortgage loan approvals and denials, such as the geographic location of the secured property; the race, ethnicity and sex of the loan applicant; and whether the loan was granted. In addition to identifying unfair lending practices, this information helps the government identify neighborhoods that could use its assistance.

Completing the Loan Application



Lender Loan Information

L1-L3: Lender Loan Information

In this portion of the loan application, the lender completes information about the property, loan title and the mortgage itself, including the proposed monthly mortgage payment.

PITIA is an acronym for the 5 components of the monthly mortgage payment:

- **Principal:** The portion of the payment used to reduce the loan balance
- **Interest:** The portion of the payment used to pay interest that is due
- **Taxes:** One-twelfth of the annual property tax bill
- **Insurance:** One-twelfth of the annual homeowners bill and, if applicable, supplemental property (e.g., flood) and mortgage insurance
- **All other:** Homeowner Association project dues, property assessments

To be completed by the ***Lender:***
Lender Loan No./Universal Loan Identifier 12345 Agency Case No. ______

Uniform Residential Loan Application — Lender Loan Information
This section is completed by your Lender.

L1. Property and Loan Information

Community Property State
☐ At least one borrower lives in a community property state.
☑ The property is in a community property state.

Transaction Detail
☐ Conversion of Contract for Deed or Land Contract
☐ Renovation
☐ Construction-Conversion/Construction-to-Permanent
○ Single-Closing ○ Two-Closing
Construction/Improvement Costs $ ______
Lot Acquired Date ___/___/_____ *(mm/dd/yyyy)*
Original Cost of Lot $ ______

Refinance Type
○ No Cash Out
○ Limited Cash Out
○ Cash Out

Refinance Program
○ Full Documentation
○ Interest Rate Reduction
○ Streamlined without Appraisal
○ Other ______

Energy Improvement
☐ Mortgage loan will finance energy-related improvements.
☐ Property is currently subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid for through property taxes *(e.g., the Property Assessed Clean Energy program).*

Project Type ☐ Condominium ☐ Cooperative ☐ Planned Unit Development (PUD) ☑ Property is not located in a project

L2. Title Information

Title to the Property **Will** be Held in What Name(s):
Peter Simon and Elizabeth Simon

For Refinance: Title to the Property is **Currently** Held in What Name(s):

Estate Will be Held in
◉ Fee Simple
○ Leasehold Expiration Date ___/___/_____ *(mm/dd/yyyy)*

Manner in Which Title Will be Held
○ Sole Ownership ○ Joint Tenancy with Right of Survivorship
○ Life Estate ○ Tenancy by the Entirety
◉ Tenancy in Common ○ Other

Trust Information
○ Title Will be Held by an *Inter Vivos (Living)* Trust
○ Title Will be Held by a Land Trust

Indian Country Land Tenure
○ Fee Simple On a Reservation
○ Individual Trust Land *(Allotted/Restricted)*
○ Tribal Trust Land On a Reservation
○ Tribal Trust Land Off Reservation
○ Alaska Native Corporation Land

L3. Mortgage Loan Information

Mortgage Type Applied For
◉ Conventional ○ USDA-RD
○ FHA ○ VA ○ Other: ______

Terms of Loan
Note Rate 5.5000 %
Loan Term 360 *(months)*

Mortgage Lien Type
◉ First Lien
○ Subordinate Lien

Amortization Type
◉ Fixed Rate ○ Other *(explain)*: ______
○ Adjustable Rate

If Adjustable Rate:
Initial Period Prior to First Adjustment ______ *(months)*
Subsequent Adjustment Period ______ *(months)*

Loan Features
☐ Balloon/ Balloon Term ______ *(months)*
☐ Interest Only / Interest Only Term ______ *(months)*
☐ Negative Amortization
☐ Prepayment Penalty / Prepayment Penalty Term ______ *(months)*
☐ Temporary Interest Rate Buydown/Initial Buydown Rate ______ %
☐ Other *(explain)*: ______

Proposed Monthly Payment for Property

First Mortgage *(P & I)*	$	1,022.02
Subordinate Lien(s) *(P & I)*	$	
Homeowner's Insurance	$	95.00
Supplemental Property Insurance	$	
Property Taxes	$	208.33
Mortgage Insurance	$	52.50
Association/Project Dues *(Condo, Co-Op, PUD)*	$	
Other	$	
TOTAL	$	**1,377.85**

Borrower Name(s): Peter Simon; Elizabeth Simon
Uniform Residential Loan Application — Lender Loan Information
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 1/2021

L4: Lender Loan Information

This section of the Lender Loan Information tallies the funds due from or to the borrowers, based upon the total costs of their transaction, their loan amount and credits.

L4. Qualifying the Borrower – Minimum Required Funds or Cash Back

DUE FROM BORROWER(S)		
A. Sales Contract Price	$	200,000.00
B. Improvements, Renovations, and Repairs	$	
C. Land *(if acquired separately)*	$	
D. For Refinance: Balance of Mortgage Loans on the Property to be paid off in the Transaction *(See Table 3a. Property You Own)*	$	
E. Credit Cards and Other Debts Paid Off *(See Table 2c. Liabilities — Credit Cards, Other Debts, and Leases that You Owe)*	$	
F. Borrower Closing Costs *(including Prepaid and Initial Escrow Payments)*	$	3,739.78
G. Discount Points	$	
H. TOTAL DUE FROM BORROWER(s) (Total of A thru G)	$	**203,739.78**
TOTAL MORTGAGE LOANS		
I. Loan Amount Loan Amount Excluding Financed Mortgage Insurance *(or Mortgage Insurance Equivalent)* $180,000.00 Financed Mortgage Insurance *(or Mortgage Insurance Equivalent)* Amount $ ______	$	180,000.00
J. Other New Mortgage Loans on the Property the Borrower(s) is Buying or Refinancing *(See Table 4b. Other New Mortgage Loans on the Property You are Buying or Refinancing)*	$	
K. TOTAL MORTGAGE LOANS (Total of I and J)	$	**180,000.00**
TOTAL CREDITS		
L. Seller Credits *(Enter the amount of Borrower(s) costs paid by the property seller)*	$	3,350.00
M. Other Credits *(Enter the sum of all other credits — Borrower Paid Fees, Earnest Money, Employer Assisted Housing, Lease Purchase Fund, Lot Equity, Relocation Funds, Sweat Equity, Trade Equity, Other)*	$	
N. TOTAL CREDITS (Total of L and M)	$	**3,350.00**
CALCULATION		
TOTAL DUE FROM BORROWER(s) *(Line H)*	$	**203,739.78**
LESS TOTAL MORTGAGE LOANS *(Line K)* AND TOTAL CREDITS *(Line N)*	– $	**183,350.00**
Cash From/To the Borrower (Line H minus Line K and Line N) **NOTE: This amount does not include reserves or other funds that may be required by the Lender to be verified.**	$	**20,389.78**

Borrower Name(s): Peter Simon; Elizabeth Simon
Uniform Residential Loan Application — Lender Loan Information
Freddie Mac Form 65 • Fannie Mae Form 1003
Effective 1/2021

CHAPTER THREE

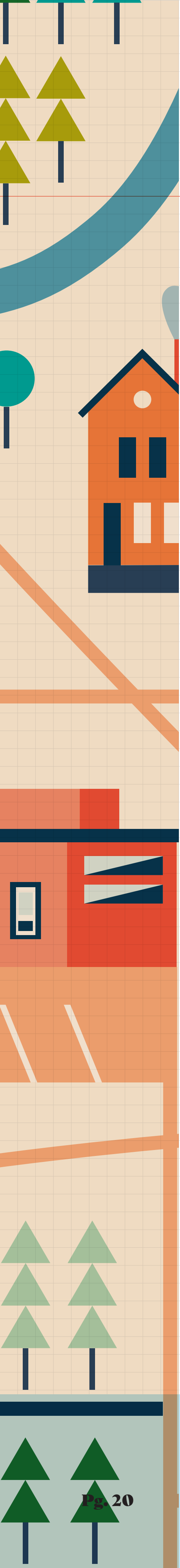
Processing The Loan

Once your homebuyers have completed the loan application, the loan moves into the next stage of the Mortgage Cycle: Processing. In this stage, the lender's loan processor will substantiate homebuyer information through verification and documentation.

The extent of documentation required depends on:

- Whether the loan will be underwritten by an automated underwriting system (AUS) or manually underwritten
- The complexity of the file
- The level of risk
- The lender's and/or investor requirements

Proper processing is crucial for making an educated, prudent decision whether to approve the loan.



Processing Responsibilities

Processors put their super powers to work to guide a loan toward the closing table:

- Ensuring data integrity by providing accurate, complete information for the loan file, including data entry into an AUS
- Keeping the lines of communication open among parties involved in the transaction by:
  - Staying in constant contact with homebuyers regarding the status of their mortgage, to request documentation or to clarify questions
  - Following up with underwriters and originators
  - Contacting resources for documentation; scheduling the closing date with the borrowers, sellers, the lender and their representatives, etc.
- Gathering and verifying documentation by:
  - Discovering the necessary documentation and obtaining it from credit and service providers, employers, banking institutions, etc.
  - Noting any inconsistencies among documents and the loan application
- Preparing and submitting a thorough, accurate loan file for underwriting
- Satisfying the underwriting conditions by gathering all the documents necessary for the underwriter to make an informed underwriting decision
- Preparing the loan for closing by:
  - Creating pay-off statements
  - Reviewing the tax bill and title commitment to obtain a "clear-to-close" status
  - Obtaining a verbal verification of employment

Why All the Documentation?

Documentation validates the information the homebuyers provided in the loan application, including:

- The value of the property
- The source of the down payment
- The homebuyers' employment history
- Their income, assets and liabilities
- Their present and proposed housing expense

Documentation will guide the underwriter's evaluation of how well the homebuyers measure up against specific characteristics of risk, known in the mortgage industry as The 4 Cs: Ultimately, it's documentation that will support the underwriter's decision whether to approve the homebuyers' mortgage.

Loan Documentation

Several factors influence the amount of documentation required for a loan, including whether the loan was evaluated by an automated underwriting system (AUS) and its risk assessment. Investors require less documentation for lower-risk loans than higher-risk loans.

The particular documents the processor may need to gather to validate the information in the loan application are determined by the lender's internal processes, AUS Findings/Feedback reports, investor requirements and the information presented in the loan application itself.

Processors use these methods to obtain documentation:

- **Standard verification,** where the processor requests Verification of Employment (VOE), Verification of Deposit (VOD) and Verification of Mortgage/Rent (VOM/R) directly from the verifying entity
- **Electronic verification,** where either homebuyers will provide computer-generated W-2s, paystubs and bank statements or the loan originator may obtain them directly from the homebuyers' employers, depository or other institutions
- **Third-party verification,** where the processor requests verification directly from the third-party service verifying employment, income and/or assets

Efficiencies of Automated Underwriting

Technology defines how we originate, process and underwrite mortgages. We have grown dependent on it in terms of speed, ease and consistent risk decisions. In the automated underwriting world, each loan is considered unique, based on its individual set of risk factors. AUS systems pre-underwrite each loan and then provide processing direction according to the results.

Fannie Mae's AUS, Desktop Underwriter (DU), and Freddie Mac's, Loan Product Advisor, take the homebuyers' data and run it through complex models built on years of statistical loan experience. The AUS evaluates the data according to risk inherent in the homebuyers' profile.

The system provides a report that identifies each loan's:

- **Risk:** whether the homebuyers are an acceptable risk, based on their credit profile and noncredit risk factors (Capacity, Collateral and Capital)
- **Eligibility:** whether the program and terms entered into the system are acceptable and the loan is eligible for purchase (by Fannie or Freddie)
- **Eligibility for representation and warranty relief:** whether the income, employment, assets and/or collateral for the loan is eligible for validation or automatic assessment, Fannie Mae and Freddie Mac, called the "Agencies," may grant lenders relief from representations and warranties related to the accuracy of income and/or asset calculation, homebuyer employment status and property value. This relief reduces the lenders' risk of having to buy back loans they sold to the Agencies.
- **Processing direction:** the information needed to process and document the loan

AUS systems create efficiencies that reduce time spent processing and documenting each loan. With the help of an AUS, lenders can qualify more homebuyers, reduce paperwork, submit for underwriting sooner and get your homebuyers to the closing table faster. It all comes down to saving time and money and making customers happy.

Preparing the Loan for Underwriting

Most lenders use an AUS to process a loan application. The resulting DU Findings/Loan Product Advisor Feedback report contains key data elements and provides totals and ratios detailing final income and debt figures, loan amount, interest rate and collateral information. This data will help assess risk, as well as determine the underwriting decision.

The processor will also calculate qualifying and loan-to-value (LTV) ratios to be used by underwriters and investors to quantify the homebuyers' Capacity and Capital and evaluate the degree of risk associated with the loan. (The ratios may have been calculated earlier in the process – most likely when the loan originator preapproved the borrowers.)

As the loan moves through the system, processors will check and re-check the ratios as they receive and verify information. See pages 22-23 for more information about qualifying and LTV ratios.

By making sure each loan package contains the appropriate information, your homebuyers can expedite the mortgage process.

Encourage your homebuyers to use technology to provide documentation whenever possible. Using technology – and responding to requests from the lender in a timely manner – will help expedite their path to the closing table.

Qualifying Ratios

Housing Ratio

The housing ratio compares the borrower's total primary housing expense – see PITIA, page 18 – with the homebuyers' total income. It's also referred to as the "top ratio" or "front-end ratio."

Housing Ratio Formula

$$\frac{\text{Total Primary Housing Expense}}{\text{Total Income}} = \text{Housing Ratio}$$

Expressed as a percentage, this ratio provides the proportion of the homebuyers' total monthly income dedicated to their mortgage payment.

Example: Calculating the Housing Ratio

Total Primary Housing Expense (PITIA) . . $1,470.55

Total Income $9,159.00

$$\frac{\$1{,}470.55}{\$9{,}159.00} = \text{Housing Ratio}$$

$$16.056\% = \text{Housing Ratio}$$

Debt-to-Income (DTI) Ratio

The DTI ratio compares the total of all monthly payments, including your homebuyers' total primary housing expense, with the their total income. It's also known as the "bottom ratio," "back-end ratio," or "total debt ratio." We will use total debt ratio and DTI interchangeably.

DTI Ratio Formula

$$\frac{\text{Total All Monthly Payments}}{\text{Total Income}} = \text{DTI Ratio}$$

Expressed as a percentage, the DTI ratio provides proportion of the homebuyers' total income that will be used to pay their total monthly debt.

Today's lending environment focuses more on homebuyers' maximum total debt ratios than on maximum housing ratios. Lenders and investors typically set 45% as the maximum total debt ratio. However, an AUS may consider higher total DTI ratios. Some lenders and investors remain sensitive to both ratios.

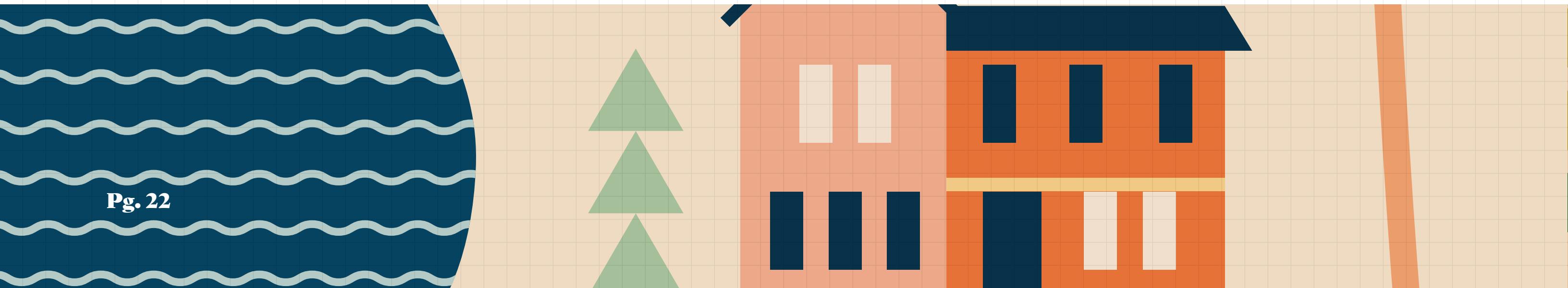
Example: Calculating the DTI Ratio

Total All Monthly Payments $2,455.55

Total Income $9,159.00

$$\frac{\$2{,}455.55}{\$9{,}159.00} = \text{Total Debt Ratio}$$

$$26.810\% = \text{Total Debt Ratio}$$



LTV Ratios

LTV ratios express the percentage of the purchase price or appraised value, whichever is less, that will be lent to your homebuyers.

LTV ratios also dictate the appropriate processing path to follow. For example, if a loan has an LTV greater than 80% (a down payment of less than 20%), investors often require mortgage insurance in order to meet their requirements. (See Chapter 5, Understanding Mortgage Insurance to learn more.)

LTV Ratio

The LTV ratio compares the amount of the first mortgage with the property's appraised value or purchase price, whichever is less.

LTV Ratio Formula

$$\frac{\text{Original Loan Amount}}{\text{Lesser of Sales Price or Appraised Value}} = \text{LTV Ratio}$$

Example: Calculating the LTV Ratio

Sales Price	$200,000
Appraised Value	$201,000
Mortgage Amount	$180,000

Because the sales price is less than the appraised value, the sales price is used in the calculation.

$$\frac{\$180{,}000}{\$200{,}000} = \text{LTV Ratio}$$

$$90\% = \text{LTV Ratio}$$

CLTV/TLTV Ratio

The combined LTV (CLTV) or total LTV (TLTV) ratio comes into play when homebuyers are financing the subject property with a second mortgage and/or drawn balance of a home equity line of credit (HELOC). The CLTV/TLTV ratio compares the total of the first and second mortgages and/or drawn balance of a HELOC with the lesser of the appraised value or sales price..

CLTV Ratio Formula

$$\frac{\text{First Mortgage + Second Mortgage}}{\text{Lesser of Sales Price or Appraised Value}} = \text{CLTV/TLTV Ratio}$$

Example: Calculating the LTV Ratio

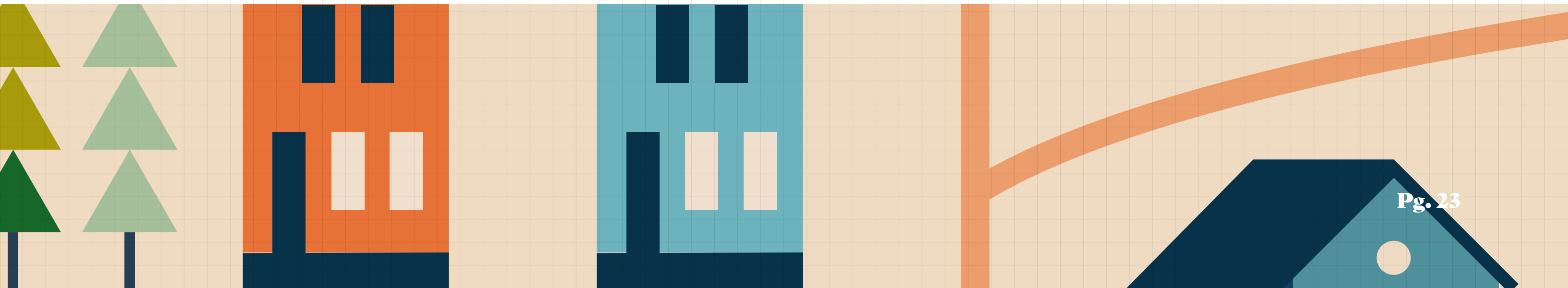
Sales Price	$200,000
Appraised Value	$201,000
First Mortgage Amount	$180,000
Second Mortgage Amount	$10,000

Because the sales price is less than the appraised value, the sales price is used in the calculation.

$$\frac{\$180{,}000 + \$10{,}000}{\$200{,}000} = \text{CLTV/TLTV Ratio}$$

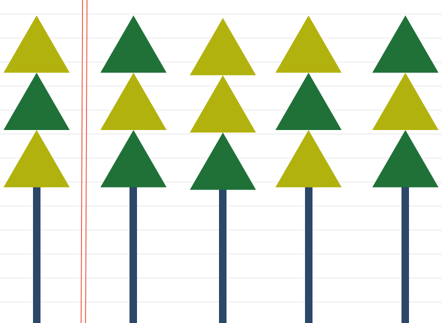
$$\frac{\$190{,}000}{\$200{,}000} = \text{CLTV/TLTV Ratio}$$

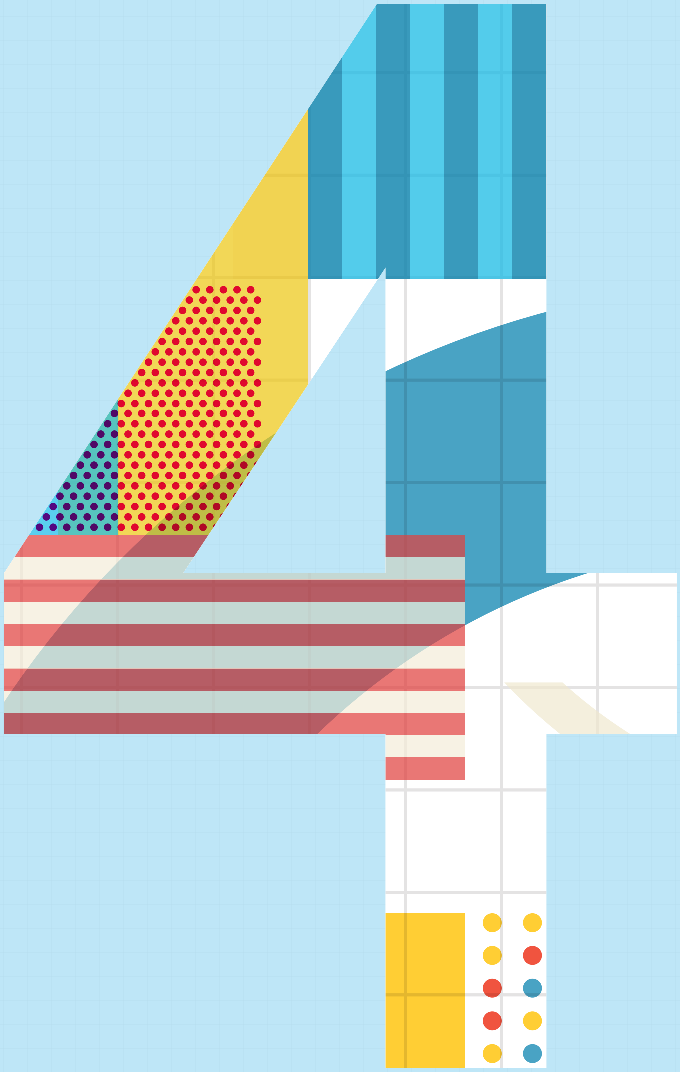
$$95\% = \text{CLTV/TLTV Ratio}$$



Thorough Processing Paves the Way

Once the information has been verified and documented accordingly, it is the processor's diligent groundwork that will expedite and ultimately support the decision whether to approve your homebuyers' mortgage. How well they measure up against The 4 Cs will be discovered in the next stage in the Mortgage Cycle: Underwriting.





CHAPTER FOUR

Underwriting

In the Underwriting stage of the Mortgage Cycle, all of the bits and pieces of data and documentation come together.

Here, the underwriter applies keen analytic skills to measure The 4 Cs – Credit, Capacity, Capital and Collateral – to reveal the big picture and soundly answer the homebuyers' request for a mortgage loan.

- Credit Risk: Measuring Willingness to Repay
- Capacity: Assessing the Ability to Repay
- Capital: Evaluating the Commitment to Repay
- Collateral Risk: Confirming the Property's Value and Marketability

Credit Risk: Measuring Willingness to Repay

How likely are the homebuyers to repay their mortgage?

That's the big question.

That's where the gamble lies.

That's where evaluating their credit comes in.

Credit History

Credit quality is one of the most important indicators in determining how a loan will perform. Experience shows that the number of mortgages that fail increases dramatically as the number of adverse credit events increases.

That's why it's so important to evaluate each prospective homebuyer's credit history – especially for those with low-down-payment loans. Underwriters need to consider all available information to determine whether homebuyers have:

- Demonstrated a consistent willingness to pay obligations as agreed, and
- Proven their ability to manage their finances over time and under various circumstances

Those who have are more likely to repay their mortgages – that is, more likely to be successful homeowners.

As the underwriter reviews your homebuyers' credit quality, the concern will lie more with the overall pattern of making payments rather than an occasional late payment that isn't necessarily due to a disregard for credit obligations.

Individual homebuyers should have adequate credit histories, defined by the number of accounts and the length of time they have used the accounts.

Established credit: Homebuyers with established credit have a history underwriters can verify through traditional credit reports. Generally, a credit score is an indicator of a homebuyer's payment history. Typically, investors define acceptable credit scores.

Non-established credit: A homebuyer whose credit cannot be verified through traditional sources is considered to have "non-established" credit. Underwriters use nontraditional credit references for these homebuyers.

No credit history: In general, homebuyers with no credit history available pose a higher risk simply because there is no information to substantiate their ability to manage debt. It's difficult to make a prudent underwriting decision without a credit history.

Trended credit data: This credit data allows for a more thorough analysis of the homebuyers' credit histories. With trended credit data provided by the credit repositories, the underwriter can view the monthly payment amounts a homebuyer makes over time. This allows the underwriter to determine whether the homebuyer tends to pay off revolving credit lines (such as credit cards) each month, or tends to carry a balance from month-to-month while making minimum or other payments.

Re-established credit: When the credit report indicates homebuyers have a history of late payments or a significant adverse event like a bankruptcy, they must re-establish acceptable credit.

Adverse credit history: The underwriter will review the homebuyers' credit history for the past 7 years for major derogatory credit events such as bankruptcy and foreclosures, looking at the past 24 months for judgments, tax liens, collections, charge-offs and repossessions. They rely on investor requirements for guidelines on waiting periods for specific adverse credit events.

Where there are late payments or adverse credit events, the underwriter will need to use underwriting judgment to determine the homebuyers' intent – whether payments were late due to a lack of regard for financial obligations or to factors beyond the homebuyers' control. The underwriter will look at the frequency and timing of late payments, why they occurred, their severity and the type of account. The underwriter will give additional consideration to homebuyers who demonstrate stable income and a savings history.

The homebuyers' reasons for failure to pay as agreed must be reasonable, corrected and unlikely to recur. The homebuyers should provide these reasons in a Credit Explanation Letter, including time frames that match the time of the delinquency stated in their credit report.

Credit Documentation

The processor has gathered credit documentation to substantiate your homebuyers' credit history using either:

- **Traditional documentation:** includes any type of credit on a credit report, such as credit cards, retail accounts, auto loans and mortgage debt
- **Nontraditional documentation:** for homebuyers who have not established traditional credit; includes alternative information to document credit history, such as:
  - Receipts for current and previous rent payments
  - Verification of utility payments, such as electrical, cable TV, cell phone, etc.

Many investors require nontraditional credit to be reported on a nontraditional credit report.

The Credit Report

The credit report offers a unique perspective of the homebuyers' past and present regard for credit. The underwriter uses their historical repayment patterns and their current state of affairs to make an educated prediction of their future respect and regard for credit.

The 3 national credit repositories – Equifax, TransUnion and Experian – maintain centralized credit records on consumers. These repositories receive information from virtually all businesses that extend credit to consumers and provide credit reports to whomever needs to evaluate individual consumers' creditworthiness.

Most credit reports include a credit score, which provides a quick way of quickly assessing homebuyers' credit quality. A credit score takes into account a variety of factors, such as:

- Payment history
- Amounts the borrowers owe vs. their credit limit
- Credit history
- Types of credit
- New credit

Credit scores will vary based on these factors and how each repository's scoring model weighs them. For example, consumers who have not been using credit very long will be factored differently than those who have. In addition, as information in a credit report changes, so does the importance of any factor in determining the credit scores.

Capacity: Assessing the Ability to Repay

Capacity addresses the risk involved with your homebuyers' ability to repay the mortgage based on the amount and stability of their income. It's up to the underwriter to determine whether your homebuyers will be able to make the proposed new mortgage payment and meet all of their other monthly obligations.

Evaluating Income

It seems almost too obvious to say that income is critical in repaying a mortgage. But the risk involved in the mortgage transaction relative to income goes beyond the homebuyers merely having income. For example:

- Is their income enough to make the monthly mortgage payment and still meet monthly household obligations?
- Do the homebuyers have a history of income stability – and is it likely to continue? If gaps are present, can the homebuyers account for them?
- If a homebuyer has had more than 1 job in the last 2 years, what are the reasons for job changes and lengths of time employed? Are the job skills transferable?
- Has the homebuyer changed jobs in order to increase pay or benefits incrementally – or to gain greater job security? (These circumstances are positive underwriting offsets)
- What is the source of income? Salary? Commission? Self-employment? Pension?

Employment History

Lenders typically require a minimum of 2 years of employment history. However, a shorter history may be acceptable if the loan application demonstrates positive factors that reasonably offset it.

Documenting Income

To answer the questions above and others that individual situations may raise, the underwriter needs to determine:

- The source of the homebuyers' income to establish income stability, and
- The homebuyers' income history to determine the likelihood that a similar level of income will continue

The source of income affects investor documentation requirements for verification. For example, a homebuyer who is currently employed may require a pay stub and a W-2, while another who receives Social Security income may require a copy of an awards letter.

Calculating Income from Employment

Homebuyer income can come from a number of different sources, with each source potentially reporting income differently. To determine how the new monthly mortgage payment will affect your homebuyers' ability to repay, the underwriter will calculate their gross monthly income.

The information the underwriter derives will go a long way to substantiate the lender's decision whether to approve the loan. To calculate income, the underwriter will need to find out:

- Whether your homebuyers are paid on an hourly basis or with a salary
- How often they're paid – weekly, bi-weekly, semi-monthly or monthly

The underwriter can typically glean this information from homebuyers' pay stubs and W-2 wage and tax statements in the loan file.

Gross Monthly Income

Gross Monthly Income applies to all income your homebuyers wish to use toward repaying their mortgage debt. Their lender will ask direct questions to get accurate, complete information upfront, such as:

- *What did your W-2 report as your income last year?*
- *What did you make in bonus/overtime income last year?*
- *How are you paid – hourly, with a salary or on commission?*
- *How often are you paid – weekly, biweekly or monthly?*
- *Do you receive any other income you wish to use to qualify?*
- *Do you own 25% or more of a business whose income you wish to use to qualify?* (If so, they are considered self-employed.)
- If homebuyers are self-employed, their lender may ask: *What income did you report on your personal tax returns from your self-employment after all business expenses were paid?*

Helping your buyers think through their answers to these questions will help avoid unnecessary delays to correct or obtain more information later on in the process and get them to the closing table sooner.

Gathering income information in this manner helps provide the lender an accurate, detailed picture of the homebuyers' income, which may differ from their interpretation. Identifying the source of income helps underwriters determine whether any additional supporting documentation is needed for the loan file.

The underwriter uses your homebuyers' most recent pay stubs and/or W-2s and/or tax returns, if possible, to calculate gross monthly income, including as needed:

Base employment income – the total of your homebuyers' primary employment base gross monthly income and/or self-employed income

Overtime income – if your homebuyers indicate a history of receiving this type of income and anticipate continuation

Bonuses – if they can show evidence of past bonus income and anticipate it will continue

Commissions – The underwriter will use the average commission income your homebuyers earned on a monthly basis. In general, the underwriter will verify commission income with 2 years of history, averaging it to account for highs and lows.

Dividends/interest – if your homebuyers indicate a history of receiving this type of income and have sufficient assets after closing to support it will continue

Net rental income – the income remaining after all rental expenses have been paid. The underwriter will use the average net rental income as reported in the homebuyers' tax returns. If returns indicate a net loss, the underwriter will add the loss to the total obligations.

The underwriter will verify rental income with 1 year of signed, personal tax returns. If rental income is new and not reflected on the tax returns, the underwriter will calculate it to determine net rental income or loss.

Capital: Evaluating the Commitment to Repay

Underwriters are called on to evaluate homebuyers' commitment to the property and to repaying their mortgage. The down payment is their personal investment in their new home.

There is a direct correlation between the amount of the down payment that homebuyers invest toward their purchase and the amount of risk associated with the loan. The greater their investment, the lower the LTV ratio and risk involved. Conversely, the smaller their investment, the higher the LTV ratio and risk.

But the down payment is only part of their capital profile. The underwriter also needs to evaluate your homebuyers' cash management skills. Both factors play an important role in determining repayment risk.

Examining the Homebuyers' Assets

Mortgage industry experience shows the stronger the homebuyers' capital profile is, the more likely they are to repay their mortgage.

Examining the homebuyers' capital profile provides insight into their past, present and future attitude toward and behavior regarding financial security. As underwriters review documentation verifying homebuyer assets, they look for answers to questions like:

- Have the homebuyers' established a history of strong savings patterns?
- How much is their down payment relative to the sales price of the home?
- Do the homebuyers have enough capital available to cover their down payment and closing costs?
- In the event their flow of income is interrupted, do they have adequate savings or other reserves to cover their mortgage payment and living expenses for an extended period of time?

Documenting Assets

The intent of verifying assets with documentation is to establish whether homebuyers:

- Have sufficient cash assets to close the loan
- Demonstrate cash management skills and the ability to save

To verify available funds and cash reserves, the underwriter looks at the most recent 2 months of statements to determine whether the homebuyers' average savings and investment balance has been consistent over the 2-month period.

The underwriter checks for recent large, unexplained deposit increases and new accounts opened with borrowed money. If there is no evidence of either, the underwriter uses the total of the most recent balance on the statements to determine the funds available to close. If there are large deposits, the underwriter will need to evaluate further. Investor requirements for evaluating large deposits vary based on the transaction type.

1. Buy a big-ticket item: a car, a boat, an expensive piece of furniture

2. Quit or switch jobs

3. Open or close any lines of credit

4. Make large deposits to accounts outside of their paychecks

10 THINGS YOUR HOMEBUYERS SHOULD ***AVOID BEFORE CLOSING*** THEIR MORTGAGE

Doing any of these things before they close could potentially put getting their home in jeopardy.

Encourage your buyers to keep their finances stable and be readily available to answer any questions about their assets.

5. Let someone run a credit check on them

6. Pay bills late

7. Ignore questions from their lender or real estate agent (that would be you)

8. Cosign a loan with anyone

9. Take out any payday loans

10. Change bank accounts

Collateral: Confirming the Property's Value and Marketability

When homebuyers finance a home purchase with a mortgage, the home serves as collateral and is pledged to the lender or the investor, whomever owns the mortgage. In the event the homebuyers fail to repay their mortgage, the mortgage owner may sell the collateral, using the proceeds from the home's value to satisfy any remaining obligations. Quality collateral reduces risk to the lender.

It falls to the underwriter to substantiate whether the property is worth what the homebuyers are paying for it. The underwriter decides whether the property meets the lender's or investor requirements regarding condition, marketability and value, based on the appraisal evaluation.

Establishing Value and Marketability

Information contained in the appraisal report and, if applicable, the sales contract guides the underwriter toward an informed decision regarding whether the collateral's value would satisfy unpaid mortgage debt.

The Appraisal

The appraisal is the underwriter's key to substantiating the value of the property, taking into consideration the neighborhood, site, physical characteristics and condition of the property. Facts, figures, value estimates, property types, location, guidelines and forms all require the underwriter's close attention. But it goes beyond that, because evaluating an appraisal, similar to underwriting a loan, is not an exact science. The underwriter uses professional experience, expertise and good judgment to evaluate and confirm whether the report supports property value and marketability.

Appraisers describe the property, noting both positive and negative factors and explain how these factors affect value and marketability.

The underwriter reviews the appraisal report, watching for the following:

- Is the property thoroughly described, and has the appraiser noted and explained any unusual situations?
- Is the appraiser's estimate of value consistent with the description of the property?
- Is the value of the subject property supported by the sales price of similar properties?

The most commonly used appraisal is the Uniform Residential Appraisal Report (URAR), Freddie Mac Form 70/Fannie Mae Form 1004. Appraisers complete this report for single-family residences to provide a comprehensive evaluation of the interior and exterior condition of the subject property. In addition, it provides a detailed sales comparison approach, comparing recent sales of similar properties within close proximity to the subject property.

Fannie Mae and Freddie Mac established the Uniform Appraisal Dataset (UAD) to enhance the accuracy and quality of loan data. Appraisers must follow UAD requirements in order for the loan to be saleable to Fannie Mae or Freddie Mac.

5 THINGS YOUR HOMEBUYERS SHOULD KNOW ABOUT APPRAISALS

Automated Underwriting determines the level of appraisal review and type of appraisal the lender must use, which affects the cost to your homebuyers and the time frame for turnaround

The value of certain property features – a swimming pool, for example – will vary from market to market.

The appraisal report is not intended to verify the sales price, but rather to see if market data supports the price.

The appraisal is based on market data, and appraisers must support their opinions of market value with recent sales and listings they have verified.

A low appraisal does not necessarily mean the mortgage won't be approved. Your homebuyers should use an appraisal that comes in lower than the contract as a negotiating tool to lower the sales price to match the appraisal

The Sales Contract

Sales contracts around the country vary, but they generally satisfy the same purpose – to create a legally binding agreement that identifies the actions, conditions and warranties between your buyers and the seller. That is to say, the purpose of the sales contract is to detail the conditions under which the sale of the property will take place.

To best serve your homebuyers, your familiarity with the key information contained in the contract is essential. For example, the closing date determines how much time the lender has to process the loan, while the purchase price and requested loan amount may influence the loan program your homebuyers choose.

To expedite underwriting and deliver better customer service, the underwriter reviews and evaluates each sales contract using the following checkpoints:

- **Information on the sales contract matches the information on the loan application:** The underwriter will make sure key information like names, address and dollar amount is consistent with the information reported on the loan application. This information will eventually appear on the final loan documents. The underwriter will match inconsistencies against other documents in the file to determine which information is correct and if unsure, contact your homebuyers to clarify
- **The contract is signed by all involved parties (or certified by the escrow company, if applicable):** Without signatures or certification by all involved parties – buyers, sellers and real estate agents – the sales contract is not a legal, binding document
- **The contract includes all referenced addenda:** The underwriter reviews the sales contract to make sure all referenced addenda are included as they may contain critical information needed to successfully process the loan (e.g., a change in the closing date)
- **Review for contingencies:** The underwriter will review the contract for any contingencies as they may affect the loan process or loan approval conditions. Note: If the sale of a current home is listed as a contingency, the underwriter will make certain the information is included on the loan application
- **Review the sales contract for the inclusion of chattel property:** If chattel property (e.g., furniture, a lawn mower) has been included in the sales price, the underwriter will deduct the value of the chattel property from the sales price
- **Sales concessions:** A sales concession is typically an item included by the seller as a condition for closing the loan transaction; for example, decorating allowances, cash rebates, etc. These items may affect the value of the property.

  Seller contributions typically include items paid by the sellers that are otherwise the buyers' obligations, such as financing costs. Financing concessions are usually interest rate buydowns or a payment supplement provided by the seller. The amount that sellers may contribute to a sales transaction is limited to a percentage of the sales price or appraised value, whichever is less. However, seller contributions cannot exceed the actual costs to close the loan

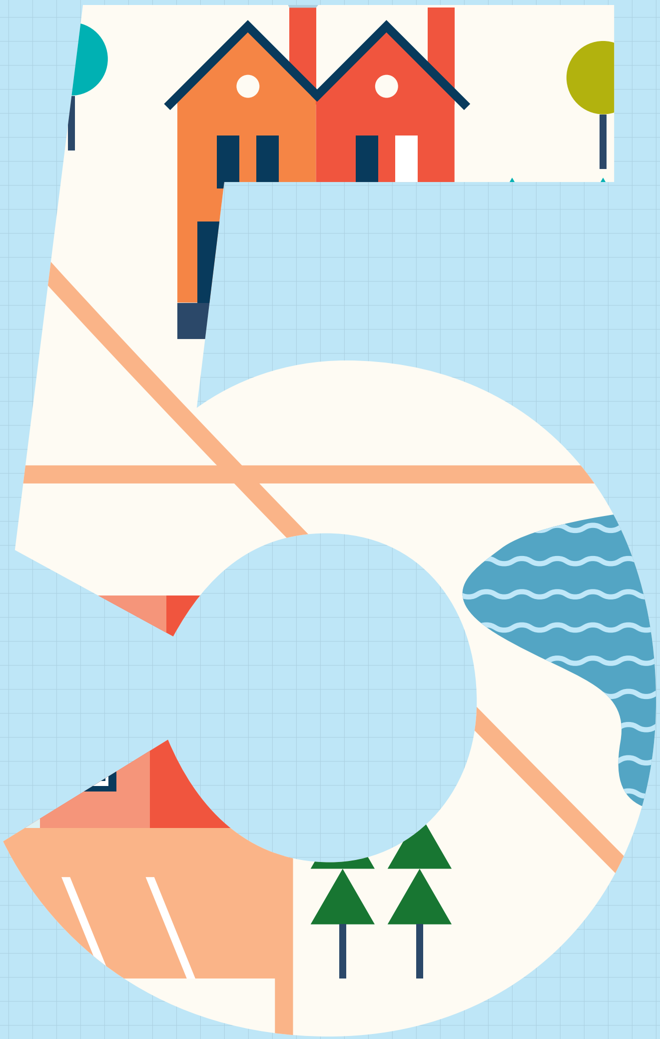
Occupancy Type and LTV	Typical Seller Contribution Limits
> 90.01%	3%
≤ 90%	6%

- **Information satisfies the intent of the lender's or investor guidelines:** If not, the underwriter will obtain clarification from your homebuyers or others involved in the transaction for complete understanding; for example, who will be paying for any repairs noted on the contract?

The 4 Cs Guide Mortgage Quality

By carefully reviewing your homebuyers' Credit, Capacity, Capital and Collateral, the underwriter can piece together a comprehensive picture of risk. The presence of a high-risk factor in any one of those categories doesn't necessarily threaten successful homeownership. But when a number of interrelated high-risk characteristics are present without sufficient offsets or compensating factors, their cumulative effect increases the likelihood of default.

As mortgage professionals, our shared goal is to qualify as many homebuyers as possible without compromising their ability to successfully maintain homeownership.



CHAPTER FIVE

Understanding Private Mortgage Insurance

Mortgage insurance, also called private mortgage insurance, PMI or MI, was created to help more consumers afford homeownership.

Most investors require a 20% down payment from homebuyers who wish to finance the purchase of a home. Historically for many homebuyers, that 20% down payment has been a difficult hurdle to clear. MI helps lift them over that hurdle.

- How MI Benefits You and Your Homebuyers
- Common MI Premium Plans

How MI Benefits You and Your Homebuyers

MI Gives You an Extra Advantage

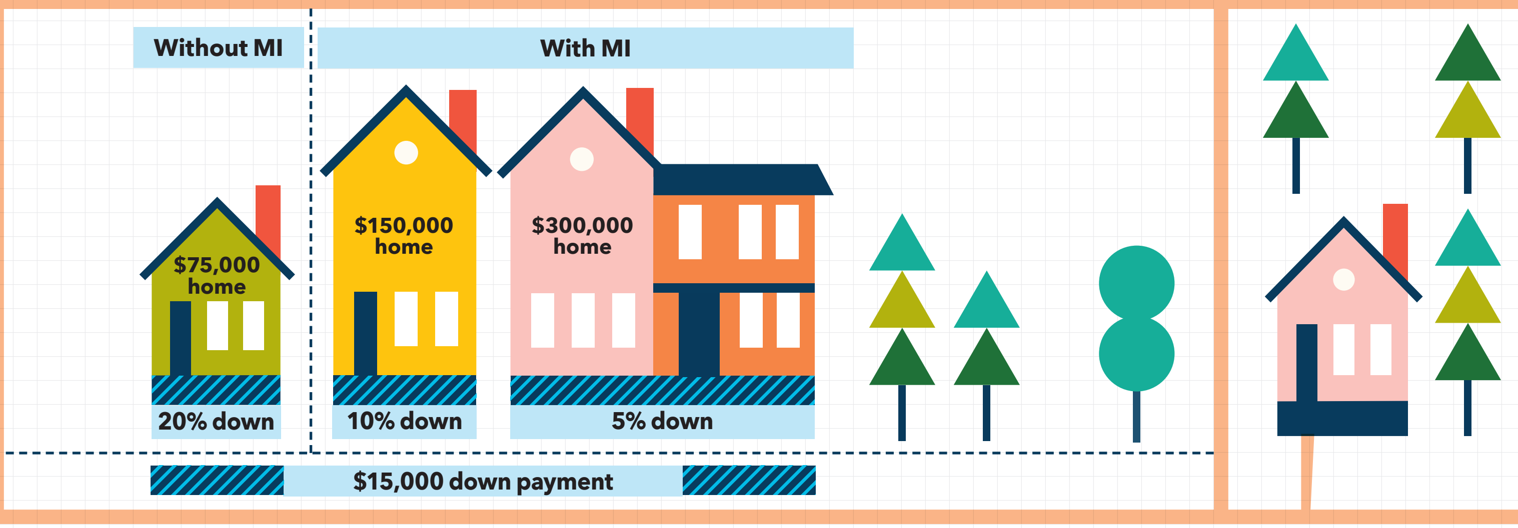
By recommending MI you can:

- Possibly save your homebuyers thousands in MI costs, compared to financing with FHA
- Broaden your customer base by selling more homes to buyers with less than 20% down
- Increase your commissions by increasing your homebuyers' buying power
- Enhance your role as Trusted Advisor and differentiate yourself from your competition by:
  - Broadening the options you provide your homebuyers
  - Notifying them when they may be able to cancel MI and reduce their monthly mortgage payment

MI Benefits for Your Homebuyers

Your homebuyers probably do not consider themselves a potential default risk, so they may be skeptical or reluctant about MI. By discussing MI as a finance option, you can show them the opportunities that financing with MI can create for them:

- **Increased buying power:** Say your homebuyers have saved $15,000. They could use that cash to put 20% down on a $75,000 home OR they could make a smaller down payment on a more expensive home – 10% down ($15,000) on a $150,000 home or 5% down on a $300,000 home, for example (assuming they can comfortably afford the higher monthly payment that comes with a more expensive home)
- **Expanded cash-flow options:** Using MI to finance their mortgage, your homebuyers could elect to put less money down and still have funds for home-related purchases and repairs or investments. For example, rather than putting 20% down ($30,000) on a $150,000 home, they may decide to put down 10% ($15,000) and use the other $15,000 to remodel, redecorate, or fund college or retirement savings
- **Lower monthly payments:** Homebuyers with better credit scores typically receive lower MI premium rates. That can translate to monthly MI costs and monthly mortgage payments significantly less than FHA financing
- **Private MI may be cancelled:** The Homeowners Protection Act of 1998 provides conditions for homeowners who've made all scheduled payments or extra payments ahead of schedule to request MI cancellation when their mortgage balance reaches 80% of the original property value. (Original property value is the lesser of the property sales price or the appraised value. For a refinance transaction, original value is the appraised value.) If they don't request cancellation, their lender must automatically cancel the MI policy when their mortgage balance reaches 78% of original value, and their mortgage payments are current
  - Outside of HPA, homeowners can ask their lender to cancel MI based on an increase in their property's appraised value
  - In all scenarios, other requirements may apply. Homeowners should ask their lender for details. Once mortgage insurance is cancelled, the monthly mortgage payment is reduced by the amount of their monthly MI payment

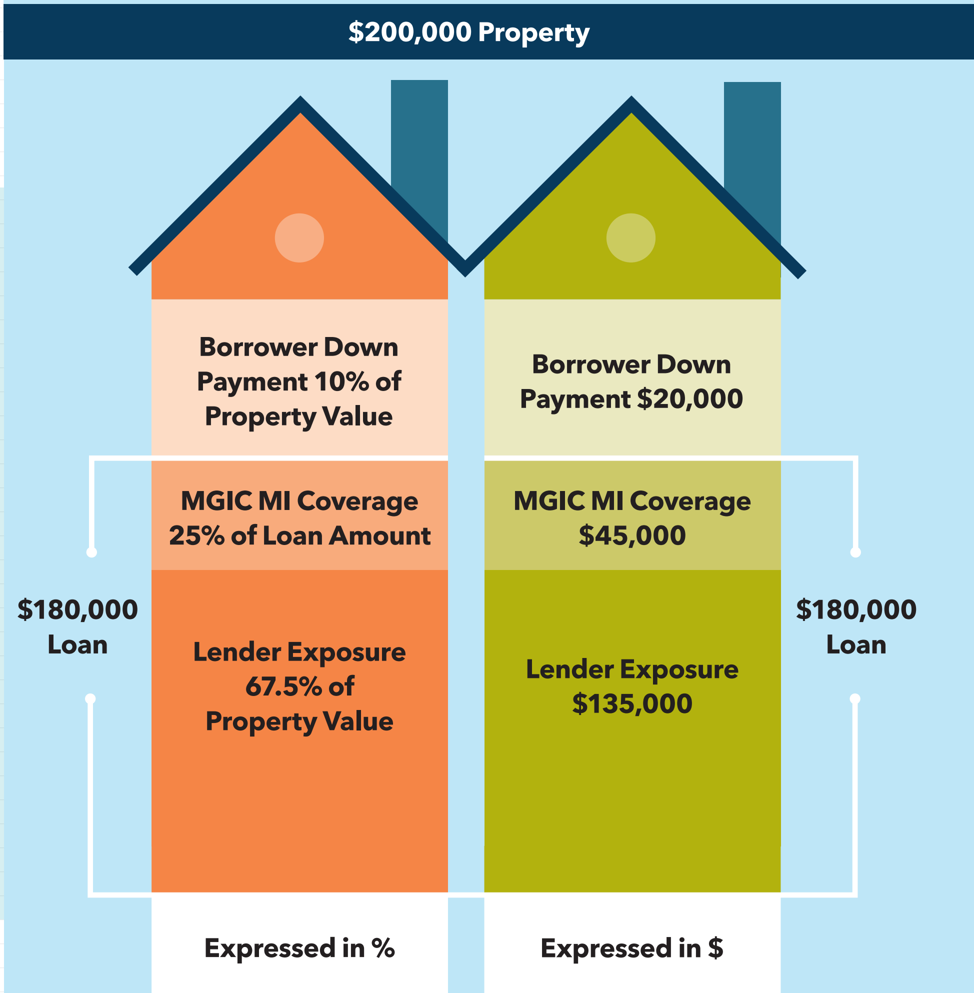


The Cost of MI

The cost of mortgage insurance is based on a variety of loan risk factors, such as:

- The premium plan the lender selects for your homebuyers
- The mortgage loan program your homebuyers choose (fixed-rate, adjustable-rate, etc.)
- The loan term (15-year, 30-year, etc.)
- Whether the lender selects a refundable or nonrefundable premium
- The ratio of the loan amount to the value of the property (loan-to-value, or LTV)
- The amount of MI coverage as determined by the lender's or investor requirements
- Representative or indicator credit score
- The loan amount
- The loan purpose (e.g., cash-out refinance) or occupancy status (e.g., second home)

How MI Works



Example: How MI Works

The homebuyers make a $20,000 down payment on the purchase of a $200,000 property. They finance a 90% LTV, fixed-rate $180,000 mortgage.

▷ **Without MI:** If the homebuyers fail to repay the mortgage, the lender would be at risk of losing $180,000 (90% of the property value), plus any costs associated with foreclosure.

▷ **With Private MI:** Typically, an investor would require 25% MI coverage on a 90% LTV, fixed-rate mortgage. In the event the homebuyers fail to repay their insured mortgage:

- The mortgage insurer would pay the lender $45,000 of the risk associated with the $180,000 loan*
- The lender's risk would be reduced to $135,000 or 67.5% of the original property value. (Original property value is the lesser of the property sales price and the appraised value. For a refinance transaction, original value is the appraised value)
- If down the road, these homebuyers fail to repay their mortgage, the lender or investor files a claim based on the unpaid loan balance, delinquent interest and foreclosure costs

* MI coverage assumes a predetermined share of risk associated with foreclosure and the sale of the property, such as delinquent payments, attorney fees, court costs and property maintenance. For simplicity, we have not included foreclosure costs in this example.

Common MI Premium Plans

Compare the most popular premium plans to determine which best suits your homebuyers' needs.

Borrower-Paid Monthly Premiums

Borrower-paid Monthly Premiums make up the most widely accepted premium plan in the industry because of their simplicity and ease of use. Other advantages include:

- **No money due at closing**
- **No upfront cost –** Homebuyers avoid the decision whether to pay premium upfront or finance it, adding to their debt.
- **Cancellable –** Homebuyers can request cancellation based on investor requirements or under the Homeowners Protection Act of 1998 (HPA); lenders must automatically cancel under HPA terms.
- **Lower monthly payment upon cancellation –** If MI is cancelled, the borrower's monthly mortgage payment is reduced by the monthly premium amount.
- **Equity builds faster –** With no premium financed into the loan amount and no increase to their interest rate, homebuyers are able to build equity more quickly than with other premium plans.

Who should consider borrower-paid Monthly Premiums?

Homebuyers who want to:

- **Minimize closing costs**
- **Qualify for MI cancellation sooner** by making extra payments that reduce the mortgage balance ahead of the original amortization schedule or home improvements that result in an increase in the appraised value
- **Lock in the lowest interest rate now** and a lower monthly payment without refinancing
- **Refinance,** but whose appraised value was lower than expected and LTV is slightly above 80%

Borrower-Paid Single Premiums

Borrower-paid Single Premiums are available in both refundable and nonrefundable options. Advantages include:

- **Lower monthly payment –** The absence of a monthly MI payment often provides a lower monthly payment than Monthly Premiums afford.
- **Flexibility –** The borrowers, seller, builder or other third party can pay the premium at closing. Lenders may offer a lender credit to cover the cost of the premium. The homebuyers can opt to finance the premium into the loan amount. Note: Financing the premium into the loan amount may increase the total LTV/CLTV.
- **Cancellable –** Homebuyers can request cancellation based on investor requirements or under the HPA; lenders must automatically cancel under HPA terms.
- **Refundable –** Homebuyers who select refundable single premiums may receive a refund if they cancel MI within the first 5 years of coverage. Even those who select the nonrefundable option may be eligible for a refund if they or their lender cancel MI under the HPA.

Who should consider borrower-paid Single Premiums?

Homebuyers who want to:

- Minimize their monthly payment, even if it means paying more at closing or increasing their debt by financing the premium into the loan amount
- Get the seller or builder to pay the premium – especially in a buyer's market
- Qualify for MI cancellation sooner by making extra payments that reduce the mortgage balance ahead of the original amortization schedule or home improvements that result in an increase in the appraised value

Lender-Paid Single Premiums

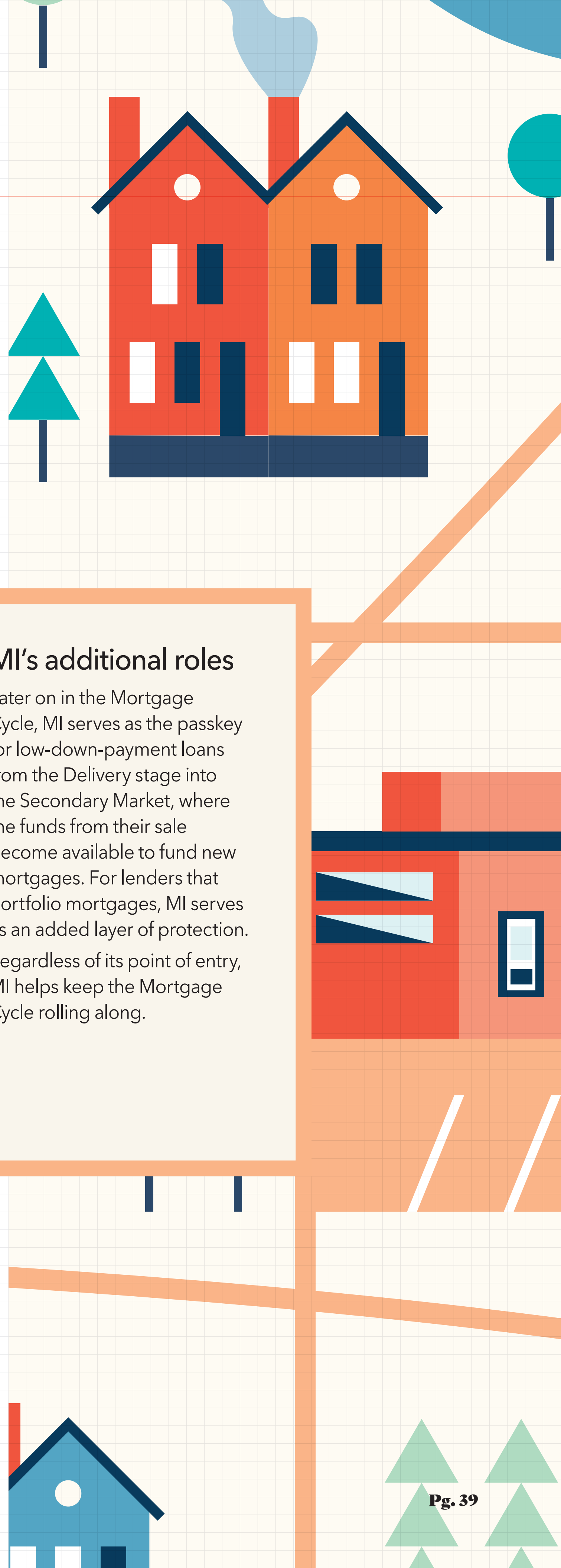
The lender pays the LPMI Single Premium at the time of insurance activation. Lenders often either increase the interest rate or charge homebuyers an origination fee to cover the cost. Coverage remains in place for the life of the loan and can't be cancelled by the borrower. Advantages include:

- **Lower monthly payment –** The absence of a monthly MI payment often provides a lower monthly payment than Monthly Premiums afford.
- **Ease of use –** Because the homebuyer pays no upfront premium and no monthly payment, it's easy to explain to the homebuyer.
- **Marketing opportunity –** Many lenders market LPMI Singles as a "No MI" program or promote they're willing to pay the MI for borrowers.

Who should consider lender-paid Single Premiums?

Homebuyers who want to:

- **Minimize their monthly payment in the short term,** even if it means forfeiting MI cancellation and the chance to reduce their monthly payment in the future
- **Get the seller or builder to pay origination fees** – especially in a buyer's market



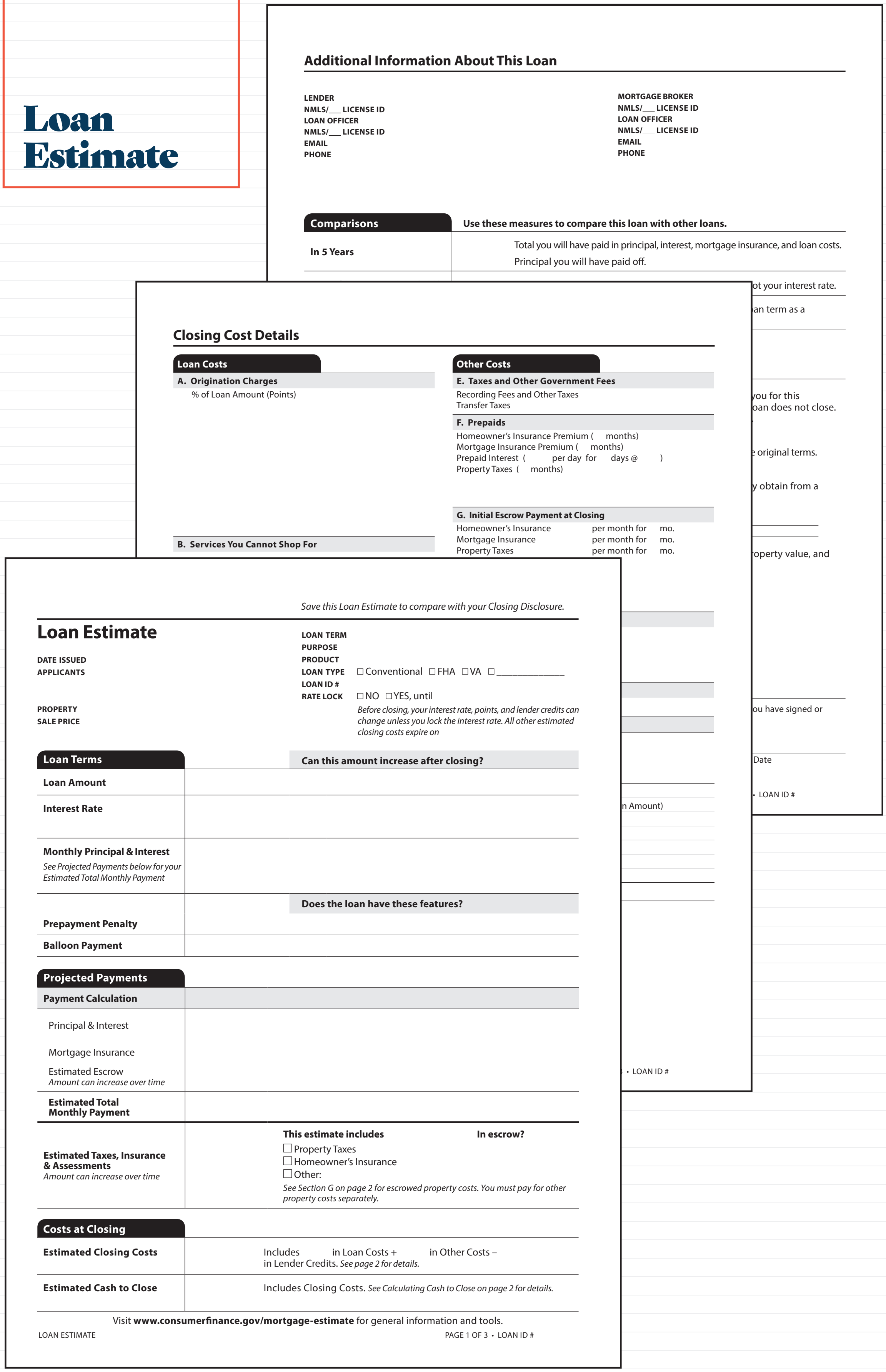
MI's additional roles

Later on in the Mortgage Cycle, MI serves as the passkey for low-down-payment loans from the Delivery stage into the Secondary Market, where the funds from their sale become available to fund new mortgages. For lenders that portfolio mortgages, MI serves as an added layer of protection.

Regardless of its point of entry, MI helps keep the Mortgage Cycle rolling along.

Appendices

Loan Estimate



Additional Information About This Loan

LENDER
NMLS/___ LICENSE ID
LOAN OFFICER
NMLS/___ LICENSE ID
EMAIL
PHONE

MORTGAGE BROKER
NMLS/___ LICENSE ID
LOAN OFFICER
NMLS/___ LICENSE ID
EMAIL
PHONE

Comparisons — Use these measures to compare this loan with other loans.

In 5 Years — Total you will have paid in principal, interest, mortgage insurance, and loan costs. Principal you will have paid off.

Closing Cost Details

Loan Costs

A. Origination Charges
% of Loan Amount (Points)

B. Services You Cannot Shop For

Other Costs

E. Taxes and Other Government Fees
Recording Fees and Other Taxes
Transfer Taxes

F. Prepaids
Homeowner's Insurance Premium (months)
Mortgage Insurance Premium (months)
Prepaid Interest (per day for days @)
Property Taxes (months)

G. Initial Escrow Payment at Closing
Homeowner's Insurance per month for mo.
Mortgage Insurance per month for mo.
Property Taxes per month for mo.

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED
APPLICANTS

PROPERTY
SALE PRICE

LOAN TERM
PURPOSE
PRODUCT
LOAN TYPE ☐ Conventional ☐ FHA ☐ VA ☐ ____________
LOAN ID #
RATE LOCK ☐ NO ☐ YES, until

Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on

Loan Terms	Can this amount increase after closing?
Loan Amount	
Interest Rate	
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	
	Does the loan have these features?
Prepayment Penalty	
Balloon Payment	

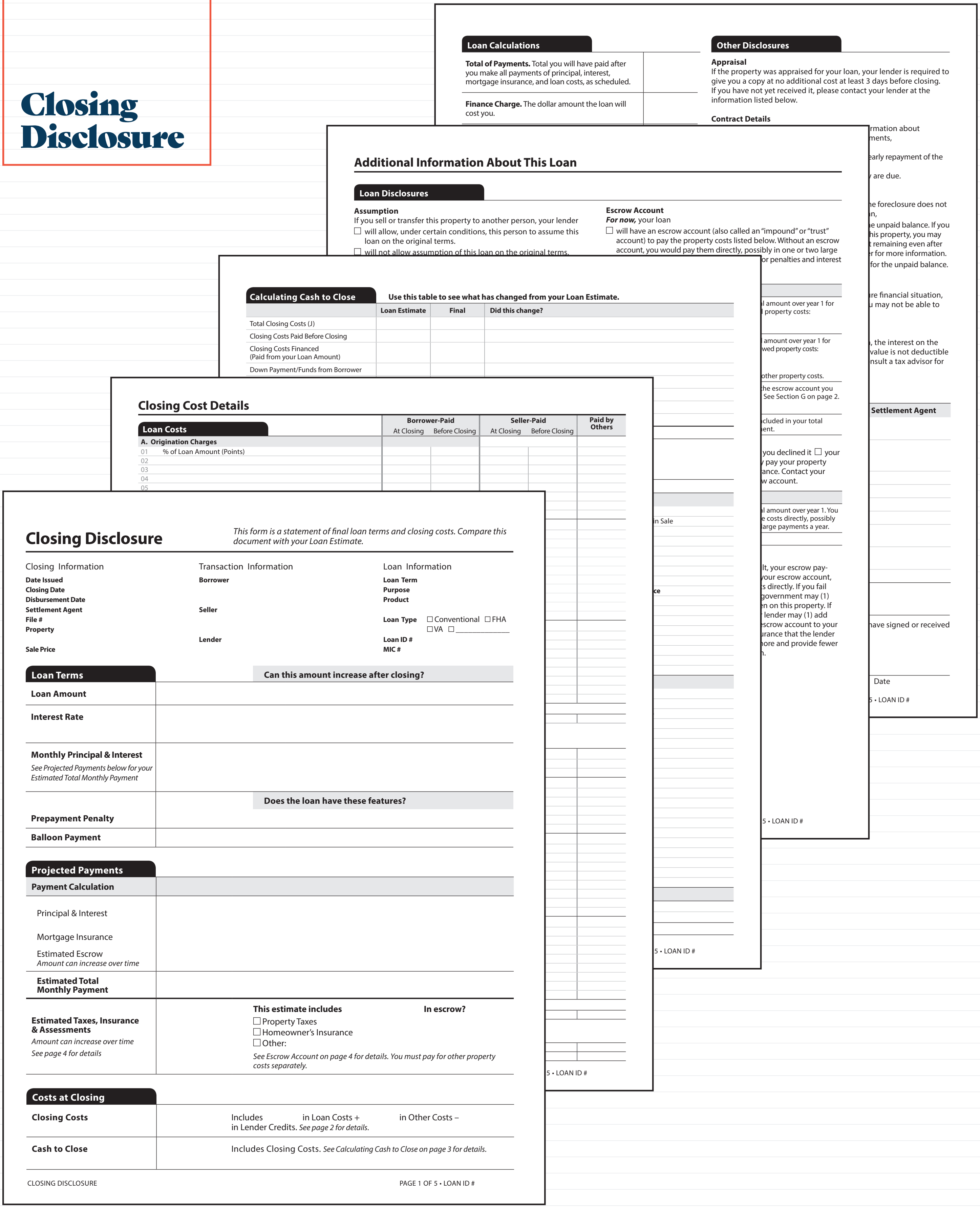
Projected Payments	
Payment Calculation	
Principal & Interest	
Mortgage Insurance	
Estimated Escrow *Amount can increase over time*	
Estimated Total Monthly Payment	
Estimated Taxes, Insurance & Assessments *Amount can increase over time*	This estimate includes / In escrow? ☐ Property Taxes ☐ Homeowner's Insurance ☐ Other: *See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.*

Costs at Closing	
Estimated Closing Costs	Includes in Loan Costs + in Other Costs – in Lender Credits. *See page 2 for details.*
Estimated Cash to Close	Includes Closing Costs. *See Calculating Cash to Close on page 2 for details.*

Visit **www.consumerfinance.gov/mortgage-estimate** for general information and tools.

LOAN ESTIMATE PAGE 1 OF 3 • LOAN ID #

Closing Disclosure



Loan Calculations

Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.

Finance Charge. The dollar amount the loan will cost you.

Other Disclosures

Appraisal
If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.

Contract Details

Additional Information About This Loan

Loan Disclosures

Assumption
If you sell or transfer this property to another person, your lender
☐ will allow, under certain conditions, this person to assume this loan on the original terms.
☐ will not allow assumption of this loan on the original terms.

Escrow Account
For now, your loan
☐ will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?
Total Closing Costs (J)			
Closing Costs Paid Before Closing			
Closing Costs Financed (Paid from your Loan Amount)			
Down Payment/Funds from Borrower			

Closing Cost Details

Loan Costs	Borrower-Paid At Closing	Borrower-Paid Before Closing	Seller-Paid At Closing	Seller-Paid Before Closing	Paid by Others
A. Origination Charges					
01 % of Loan Amount (Points)					
02					
03					
04					
05					

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information	Transaction Information	Loan Information
Date Issued	**Borrower**	**Loan Term**
Closing Date		**Purpose**
Disbursement Date		**Product**
Settlement Agent	**Seller**	
File #		**Loan Type** ☐Conventional ☐FHA ☐VA ☐ ____________
Property	**Lender**	**Loan ID #**
Sale Price		**MIC #**

Loan Terms		Can this amount increase after closing?
Loan Amount		
Interest Rate		
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*		
		Does the loan have these features?
Prepayment Penalty		
Balloon Payment		

Projected Payments	
Payment Calculation	
Principal & Interest	
Mortgage Insurance	
Estimated Escrow *Amount can increase over time*	
Estimated Total Monthly Payment	
Estimated Taxes, Insurance & Assessments *Amount can increase over time* *See page 4 for details*	**This estimate includes** ☐Property Taxes ☐Homeowner's Insurance ☐Other: **In escrow?** *See Escrow Account on page 4 for details. You must pay for other property costs separately.*

Costs at Closing	
Closing Costs	Includes in Loan Costs + in Other Costs – in Lender Credits. *See page 2 for details.*
Cash to Close	Includes Closing Costs. *See Calculating Cash to Close on page 3 for details.*

CLOSING DISCLOSURE PAGE 1 OF 5 • LOAN ID #

mortgage guaranty insurance corporation

MGIC Plaza
Milwaukee, WI 53202
mgic.com

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