

Pre- Approval

FROM PRE-APPROVAL TO BEYOND THE
CLOSING TABLE, I'LL BE BY YOUR SIDE
EACH STEP OF THE WAY

Guide

Lacy Foltz

MORTGAGE LENDER
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Lacy Foltz is a seasoned financial professional with over 15 years of experience in the banking industry, and a decade of that spent specifically in mortgage lending. Her diverse background includes roles such as Branch Manager, Consumer Loan Underwriter, and Vice President of Business Banking, providing her with a comprehensive understanding of various financial sectors. However, it was in mortgage lending that she discovered her true passion, driven by a desire to empower and educate homebuyers.

Lacy exudes warmth and enthusiasm, creating a supportive and enjoyable experience for her clients. She prioritizes financial literacy, ensuring borrowers understand the intricacies of the mortgage process to make informed decisions.

Lacy is a highly regarded professional known for her exceptional client service. Her dedication to finding creative solutions and exceeding expectations has earned her rave reviews.

Clients and respected real estate professionals consistently praise her proactive approach, prompt communication, and meticulous attention to detail. Whether it's navigating complex financial situations or simply providing reassurance and guidance, Lacy consistently demonstrates her commitment to ensuring a smooth and successful homebuying journey for each client. Her ability to build strong relationships and provide personalized support sets her apart as a trusted advisor in the mortgage lending industry.

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What documents will I need to provide?

The documents needed will depend on your specific income, assets and circumstances.
Below is a general guide of what will be requested for each applicant:



W-2 EMPLOYEE:

- W-2's for the most recent 2 years
- Most recent 30 day paystubs
 - *If you receive overtime, commission, bonuses or other variable income, we will also gather the last paystub received the past 2 years*
- Most recent 2 month's official bank statement (all pages)
- Driver's License copy



SELF-EMPLOYED:

- Full personal tax returns for the most recent 2 years, including all applicable 1099's, W2's, etc.
- Full business tax returns for the most recent 2 years
- Most recent 2 month's official bank statement for personal bank accounts (all pages)
- Most recent 3 month's official bank statement for business accounts (all pages)
- Most recent year-to-date profit and loss statement if applicable
- Driver's License copy



RETIRED:

- Full tax returns for the most recent 2 years, including all applicable 1099's & tax forms
- Social Security, Pension or applicable Retirement Award Letter for the most recent year
- Most recent 2 month's official bank statement (all pages)
- Driver's License copy



IF ANY REAL ESTATE IS CURRENTLY OWNED, THE FOLLOWING MAY BE REQUESTED:

- Most recent mortgage statement, *if applicable*
- Most recent HOA (homeowners association) bill, *if applicable*
- Most recent homeowner's insurance statement IF you own the home free & clear, or if not escrowed in your current mortgage
- If rental properties - Most recent 2 year full tax returns including all applicable schedule E's, etc.



UPON SUBMITTING THE APPLICATION, I WILL LET YOU KNOW IF
FURTHER DOCUMENTATION IS NEEDED

FINANCES

Before you officially begin your home search, it's vital to get your pre-approval established and to work through the numbers with me. This will help ensure that you understand your budget and feel confident about it, as well as clarify what to expect throughout the process.

QUESTIONS YOU LIKELY HAVE THAT WE WILL ADDRESS DURING THE PROCESS TOGETHER:

- What is the best type of loan for me? (i.e. Conventional, FHA, VA, USDA, Down-payment Assistance, etc.)
- Do I qualify for any special loan programs?
- What will my estimated monthly payment be in the price range I'm searching in?
- How much cash out of pocket do I need to be prepared for?
- How long is my pre-approval good for?
- What should or shouldn't I be doing between now and going under contract on a home?



PRE-QUALIFIED VS. PRE-APPROVED

WHAT YOU SHOULD KNOW



PRE-QUALIFIED

A pre-qualification relies on information stated in a mortgage application without initially providing supporting documents.

A lender reviews your credit and offers an estimated amount you could qualify for, based on your stated employment, income, and assets.

Pre-qualifications are less appealing to sellers due to the increased risk of financing issues after the contract is signed.

PRE-APPROVED

A pre-approval occurs when your lender collects and thoroughly reviews essential documents like W2s, tax returns, pay stubs, and bank statements to verify that the income and assets on your application qualify to be used for the mortgage program.

Sellers view a pre-approval as more reliable than a pre-qualification because it reduces the chances of financing issues.

WHAT IS IMPORTANT TO QUALIFY FOR A MORTGAGE?



THERE'S MANY FACTORS THAT GO INTO QUALIFYING FOR A MORTGAGE, BUT THESE ARE A FEW OF THE MOST IMPACTFUL:

- **Credit score & history.** Programs are available for credit scores as low as 580. The higher the credit score, the more options are available.
- **Debt to income ratio** (debts on the credit report compared to monthly gross income). For most mortgage programs, your minimum monthly payments (according to your credit report), plus the estimated mortgage payment need to be under 45%-55% of your gross monthly income.
- **Assets for down payment.** More assets offer more flexible financing options.
- **Stable employment history for the past 2 years** (time in school can also be used in lieu of employment history).



MOST COMMON LOAN PROGRAMS



CONVENTIONAL

Conventional Mortgages are most common for clients with credit scores over 700-720, but are available for scores above 620.

The minimum down payment is 3%-5%. First-time buyers—defined as those who haven't had their name on a mortgage or deed in the past 3 years—can qualify with as little as a 3% down payment. For others, the minimum is 5% for primary residences.

No PMI (Private Mortgage Insurance) is required for buyers putting down 20% or more.

Maximum debt-to-income ratios vary based on qualifying factors, but financing options are available for buyers with ratios up to 45%-50% (including the estimated new mortgage payment).



FHA

FHA Mortgages offer flexible financing for buyers with lower credit scores or higher debt.

The minimum down payment is 3.50%.

A minimum credit score of 580 is needed, but qualifying depends on credit history.

Maximum debt-to-income ratios vary but options are available for ratios up to 55%, including the new mortgage.

Private Mortgage Insurance (PMI) is required for 11 years or the loan's life, depending on the initial down payment.

You don't need to be a first-time buyer to qualify.



VA

VA mortgages are available for eligible Veterans, Servicemembers and surviving spouses.

0% down payment options with no PMI and lower closing costs.

580 minimum credit score to qualify.

Debt to income ratio thresholds are dependent upon other qualifying factors.

Frequently Asked Questions:

Pre-Approval, Payment & Cash Out of Pocket

How will I know which loan program is best for me?

After you submit all required documentation, I will review everything to identify the programs you qualify for. From there, I'll refine the selection to find the best and most cost-effective option for you. You don't have to stress about choosing the right one; that's my responsibility! I will also provide you with information about all the available options and guide you toward the best fit for your situation.

Will you issue my preapproval for the amount I apply for, or will you tell me the maximum amount I can qualify for?

I will analyze the numbers to determine the highest estimated purchase price and loan amount you can qualify for, based on your income, assets, and credit. Often, you might qualify for more than you're comfortable spending, but qualifying for a higher amount doesn't mean you should spend it.

How long is my pre-approval good for?

Pre-approvals are valid for 120 days (4 months) until your credit report expires. If you haven't located the right home within those 4 months, it's very easy to re-issue your preapproval for another 4 months. We will update your credit report, and gather updated documents such as paystubs & bank statements.

What will my cash out of pocket include?

Generally, your cash out of pocket will include 3 buckets of money:

- 1) Down payment which is a percentage of your purchase price.
- 2) Closing costs which encompass all 3rd party fees such as appraisal, title work & county recording fees.
- 3) Pre-pays which consist of property taxes, homeowner's insurance, and pre-paid interest.

What will my monthly payment include?

Principal, interest, property taxes & homeowner's insurance. If your property has HOA (homeowner's association) dues, that is typically paid for outside of your mortgage.

Credit Scores

What is the difference between a “soft” and a “hard” credit inquiry?

A "hard inquiry" or "hard credit pull" requires your consent and can affect your credit score, whereas a "soft inquiry" or "soft credit pull" does not require your permission and has no effect on your credit score. A hard pull provides a comprehensive view of your credit history and payment behavior, including county court judgments, defaulted loans, and past credit inquiries, while soft inquiries may lack this detailed information. Please keep in mind: If only a soft inquiry is conducted for preapproval, a hard credit pull will, at the very least, be required once you enter into a contract and commence the underwriting process.

How much does a credit inquiry impact my score and how long does it stay on my credit report?

A "hard inquiry" is the type of inquiry that affects credit scores, and its impact can differ from individual to individual based on their specific credit history. Generally, it tends to affect scores by 5 points or less.

Typically, a "hard inquiry" will stay on your credit history for two years, but it usually influences your score for just one year.

Will the credit score I see online be the same as what my loan officer sees when they pull my credit?

Many consumers utilize credit monitoring websites and apps such as Credit Karma, Experian, TransUnion, Equifax, or the credit score tracking tools provided by their credit card companies to keep an eye on their credit scores.

While using these platforms is highly recommended for understanding your credit score and ensuring the accuracy of the information reported, it's important to note that they do not accurately reflect the credit score that lenders will see when you apply for a mortgage. This discrepancy arises because the credit bureaus (Experian, TransUnion, and Equifax) employ different scoring models specifically for mortgage financing inquiries. Given that a mortgage typically represents the largest debt you will incur in your lifetime, the method used by credit bureaus to calculate your score differs from that used for auto loans, credit cards, or installment loans.

First Time Buyer & Down Payment Assistance

Who is considered a first time buyer?

For most loan programs, a first time buyer is defined as a person who has not had their name on a mortgage OR deed (title) of any property in the last 3 years.

What programs are available as a first time buyer?

Many first-time buyer programs provide lower down payment options, typically ranging from 0% to 3% of the purchase price (details on down payment assistance programs are discussed below). Additionally, some programs feature reduced interest rates.

Who is eligible for down payment assistance?

Down payment assistance is available for eligible buyers who meet the specific requirements of the programs offered in their purchasing area. Most of these programs stipulate that buyers should have a credit score of 640 or higher, earn below the income limit for their county, and be first-time homebuyers.

How do down payment assistance programs work?

Each down payment assistance program is unique and has varying terms. For many (*but not all*) programs, these programs offer a grant that covers a percentage of the purchase price. This grant is recorded as a second lien on the property and may or may not require monthly payments. It can be forgiven after the homeowner has made payments on the initial mortgage for ten years, with a prorated amount available after five years. Please keep in mind that this applies to the initial mortgage term; if the homeowner refinances or sells the property within the first ten years, they may need to repay part or all of the grant.

Certain down payment assistance programs may come with elevated closing costs and interest rates. When down payment assistance is provided, the buyer usually remains responsible for any related closing costs and prepaid expenses, unless these are covered by a seller credit. Additionally, the buyer might need to complete homebuyer education courses as part of the process.

Down payments

Where can my down payment come from?

For purchasing a primary residence, eligible sources of funds include (but are not limited to): checking, savings, and other deposit accounts owned by the borrower(s); 401(k) plans and eligible retirement accounts; investment accounts such as stocks or bonds; gift funds (monetary gifts from family members or close friends with appropriate documentation); a gift of equity (where the seller provides a specified amount of equity in the home with proper documentation); proceeds from selling personal property like a vehicle (with necessary supporting documentation); or down payment assistance programs.

Where can my down payment NOT come from?

Including but not limited to: Undocumented cash. Personal loans (can vary based upon the loan program). Credit cards. Funds from a business account unless adequately documented and approved by the lender. Proceeds from illegal activities. Unverified gift funds.

IMPORTANT: Please talk to me about the source of your down payment funds before depositing any amount outside of your usual payroll into your accounts. Additional documentation and steps may be necessary.

If I recently paid off or paid down a debt, how long until that is reflected on my credit?

The timing of when a creditor reports an updated balance or payment to credit bureaus can vary. Typically, most creditors report every 30 days, so depending on when you made your payment within that cycle, it may take 30 to 60 days to reflect. If you've recently made a significant payment or settled a debt, be sure to inform me, as this may affect your qualification status.

If I'm planning to make a large payment or pay off a loan, should I wait to apply until after?

Considering that payment updates can take anywhere from 30 to 60 days, or even longer in certain cases, I recommend not postponing your application to wait for an improvement in your credit score. In fact, depending on factors like the age and type of loan, as well as your personal credit history, paying off a debt may not necessarily boost your score or be the best option. Sometimes, it could be more beneficial to use those funds towards your down payment instead of clearing debts. Since each situation is different, I strongly suggest applying and discussing your plans before addressing significant debts. We can conduct a "soft inquiry" on your credit to gather the necessary information and create a tailored strategy.



HELPFUL “DOs AND DON'Ts” WHEN APPLYING FOR A MORTGAGE

▶ **DOs**

DO Keep originals of or be able to access all pay stubs, bank statements and other important documents on employer/bank websites.

DO Provide your earnest money deposit from your own personal bank account or acceptable gift funds. Please talk to your Loan Officer or Loan Coordinator for additional clarification. This will present a very difficult problem if not managed properly in the beginning.

DO Provide all documentation for the sale of your current home, including the sales contract, the closing statement and an employer relocation/buy-out program, if applicable.

DO Notify your Loan Officer or Loan Coordinator if you plan to receive gift funds for closing. Gift funds are acceptable only if certain criteria are met. Advances from credit cards for down payment/closing costs are never acceptable.

DO Notify your Loan Officer or Loan Coordinator of any employment changes such as a recent raise, promotion, transfer or change of pay status (for example, salary to commission).

DO Be aware that a new credit report could be pulled just prior to closing.

▶ **DON'Ts**

DON'T Close or open any asset accounts or transfer funds between accounts without talking with your Loan Officer about the proper documentation required for your loan. For example, before transferring all funds from your savings to your checking, check with your Loan Officer.

DON'T Deposit any monies outside of your automated payroll deposits, particularly cash or sale of personal property, without notifying your Loan Officer or Loan Coordinator. Many guidelines require substantial documentation as to the source of these deposits.

DON'T Change jobs/employers without inquiring about the impact this change might have on your loan.

DON'T Make major purchases prior to or during your contract, such as a new car, furniture, appliances, etc. as this may impact your loan qualification.

DON'T Open or increase any liabilities, including credit cards, student loans or other lines of credit during the loan process as it may impact your qualifying loan amount.



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Thank you!

Let's connect!

