

# WELCOME PACKET



ROOT  
MORTGAGE



## **IMPORTANT!**

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# Contents

1

Introduction

2

Purchasing

3

Expectations

4

Loan Steps

8

Quick Tools

9

Common Terms



# Introduction

## **It's Complicated.**

The mortgage process is complicated. It's like a really big puzzle. We help put together each piece so that you have an understanding of how each step contributes to the overall picture.



## **What you need to know.**

We will review many topics in this booklet to educate and provide tools that will help you during the loan process.

If at any time you have additional questions or need more information, please feel free to contact your loan team.

We are always available to help!





# Purchasing

Quick review of what role we play in the overall purchase of a property.

## Realtor



Find a House.

A real estate agent will help find you a home and negotiate the transaction on your behalf. They will coordinate inspections and all paperwork related to the purchase.

## ROOT



Get Financing  
(Mortgage Loan)

This is a significant step in the process. Your mortgage advisor and their team will structure your loan and guide you through each step of the process. This usually takes 30-45 days to complete.

## Title



Sign Loan  
Documents

This is where you sign your closing documents. The title company has two purposes; one is to complete funding and recording, and the other is to insure the transaction for all parties is free of liability.





# Expectations

We want to close loans on time and with ease. To do so, we ask that our clients follow two simple requests:



We ask that our clients communicate any life changes and/or ideas they have with us during the loan process.

This includes things like changing employment, buying a car, etc.



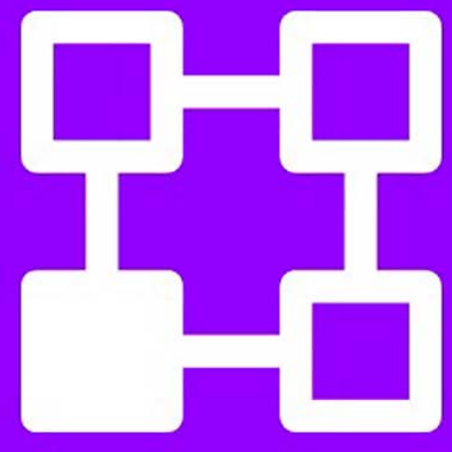
We ask that our clients respond to us as quickly as possible to ensure we stay on schedule.

This is in regard to email responses or phone calls - if you have a specific method of contact you prefer, please let us know.

## **We communicate.**

We will send weekly updates on the loan process through a status email or a phone call. If you have any questions or are unclear about anything during the process, please call or email us. Our goal is to make sure you understand every step of the way.



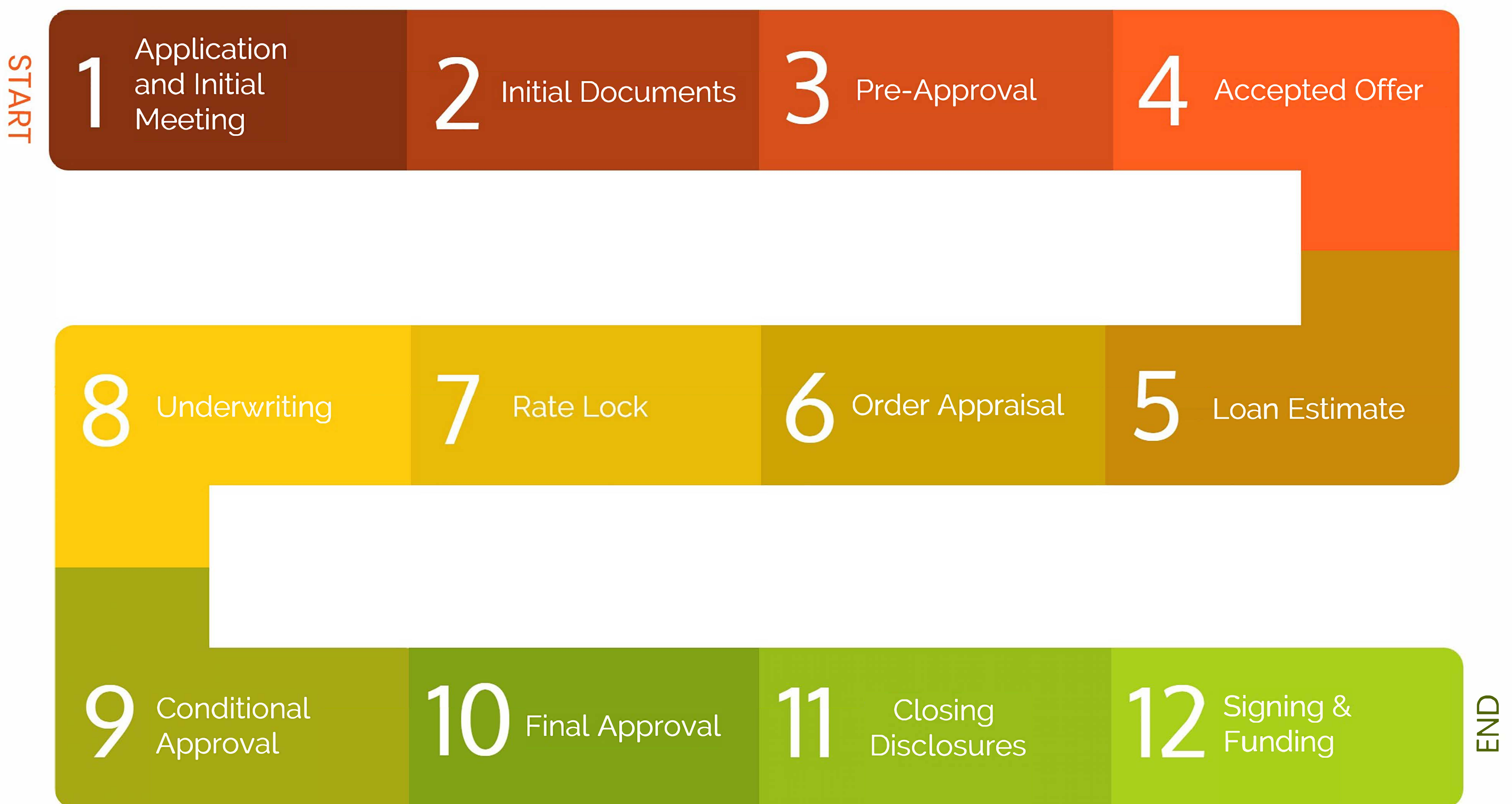


# Steps

## Quick roadmap.

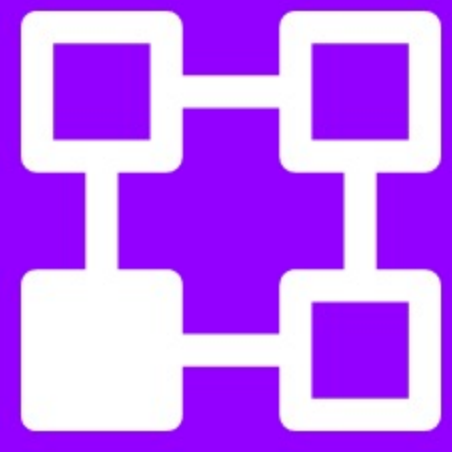
We want to share a simple overview of the loan process with you. Typically, each loan will flow the same way from start to finish.

There may be times that the loan steps are out of order, due to the specific loan type, the details of each step will remain the same.



At each step, there will be different milestones to complete. The normal cycle of a loan takes about 25-45 days for a purchase. The most time consuming elements of the process are document collection and the appraisal process.

We set expectations up front and if things change during the process, we will communicate them with you.

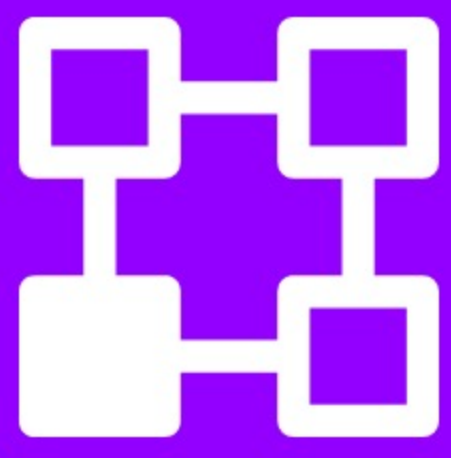


# Steps

The calendar below shows a typical month in the purchase process.

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	<b>1</b> Accepted Offer	2	<b>3</b> Order Appraisal	4	<b>5</b> Loan Disclosures LE	6
7	8	<b>9</b> Final Needs List	10	<b>11</b> Submit to Underwriting	12	13
14	15	<b>16</b> Conditional Approval	17	<b>18</b> Appraisal Due	19	20
21	<b>22</b> Final Approval	<b>23</b> Closing Disclosure CD	24	<b>25</b> Draw Documents	26	27
28	<b>29</b> Sign Documents	30	<b>31</b> Fund and Record			





# Steps

Important things to consider during the mortgage process;

## DON'T

Don't change jobs, quit your job, or become self-employed.

Don't spend money you have set aside for closing.

Don't use credit unreasonably or make late payments.

Don't change bank accounts.

Don't have large deposits (non-payroll).

Don't have inquiries into your credit.

Don't make large purchases (appliances, furniture, etc.).

Don't close any accounts.

## DO

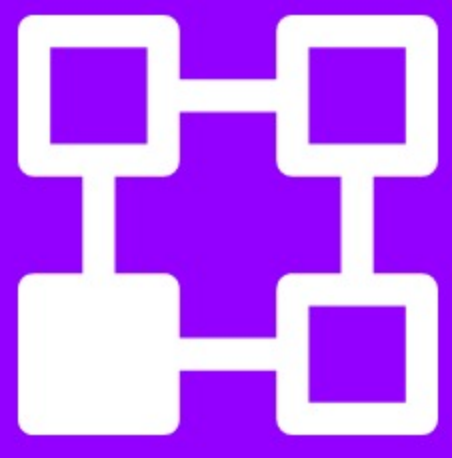
Do use your accounts as normal.

Do provide requested documents in a timely manner.

Do pay bills on time.

Do contact us with any questions.





# Steps

## What we may need to see...

We may need one or more of the following documents, to ensure we correctly calculate income, to provide proof of employment, and to complete the loan process. Some of the documents below can be electronically obtained with your permission.

### Bank/Asset Statements

We require 2 months of bank statements to verify your funds to close.

This can include monthly statements for investment or retirement accounts.

### Federal Taxes, W2's or 1099

2 years of taxes along with 1099 or W2's may be obtained. This is to show income earned and what can be used in qualifying. (Please send all pages.)

This is determined by the type of loan.

### Paystubs

Most recent paystubs covering at least 30 days will be reviewed.

This can include online paystubs through portals (ADP or PayChex) or copy of paystubs from actual checks.

### Other

Documents that may need to be signed:

-4506T - used to receive verification from the IRS.

-Borrowers Authorization - used to obtain verification of employment.

-There may be additional items such as large deposit and credit inquiry letters.





# Tools

## Let's make it simple.

We want to give our clients tools to help them make informed decisions and keep them competitive with respect to timing.

### Mortgage Payment (PITI)

What is included in your mortgage payment is important. See the breakdown below.

Payment & Interest **\$1,300**  
Property Taxes **\$475**  
Homeowners Insurance **\$60**  
\*Mortgage Insurance **\$175**  
\*HOA Fees **\$25**

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**Total PITI \$2,035**

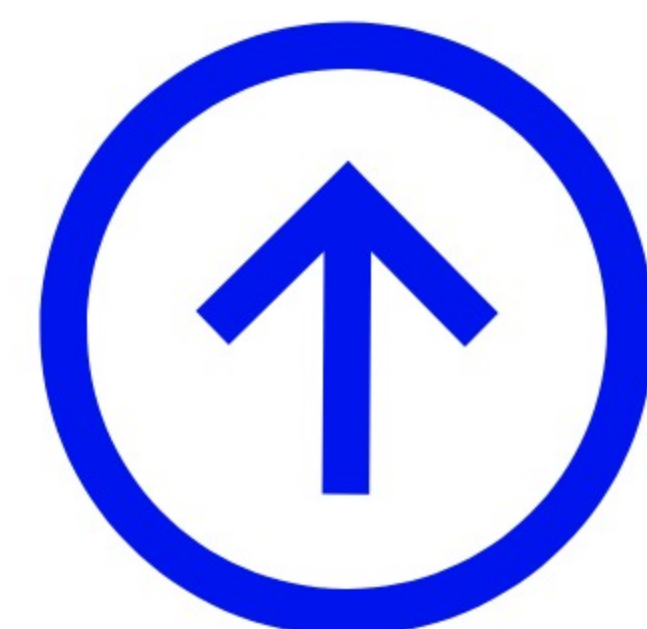
\*if applicable

### Quick Rule of Thumb



**\$10,000 Price Change**  
Payment changes by about \$50

**\$5,000 Price Change**  
Payment changes by about \$25







# Terms

## Common Mortgage Jargon

Let's review the most common words or acronyms that you will hear during the process.

### Debt-to-Income (DTI)

The amount of monthly obligations reported on a credit report are calculated against gross income to get the debt-to-income ratio.

$$\frac{\text{Monthly Debt Obligations}}{\text{Gross Monthly Income}} = \text{DTI}$$

$$\frac{\$1,650}{\$4,000} = 41.25\%$$

### Loan-to-Value (LTV)

The loan amount in comparison to the home value is what we call the loan-to-value. See the example below for details.

$$\frac{\text{Loan Amount}}{\text{Purchase Price/Value}} = \text{LTV}$$

$$\frac{\$320,000}{\$400,000} = 80\%$$





# Terms

## Seller Concessions

In a purchase transaction, it is very common for the seller to accept and pay for the buyer's closing costs. See our quick example below.

### Example -



*For Sale - \$250,000*

The sellers of this property are asking for \$250,000.



*Offer- \$250,000 with \$6,000 in seller concessions*

Buyer places an offer with a Root Mortgage pre-approval letter issued for \$250,000 asking for \$6,000 in seller concessions to pay for closing costs.



*Offer accepted*

The seller accepts the offer with the given amount to be used for closing costs.

In this example, the seller is going to net \$244,000 because the remaining \$6,000 will be used for the buyer's closing cost.





# Terms

## Mortgage Insurance (MI)

A third party company will insure a mortgage loan against default. This protects the lender and is called mortgage insurance. There are three main types of MI:

### **1** Lender Paid (LPMI)

An option for conventional loans only. The mortgage insurance is paid through the rate. This results in an overall lower payment because there is not a separate mortgage insurance payment. LPMI has an overall lower payment than the other options, but because it is built into the rate, it can't be removed.

### **2** Monthly Mortgage Insurance

The mortgage insurance is paid monthly and is included in the overall payment (PITI). The monthly fee will automatically drop when the loan goes to 78% LTV. This is calculated based on the original balance of the loan, and may take a few years to accomplish. This is only true for conventional loans.

All government loans require some form of monthly mortgage insurance.

### **3** Single Paid Premium

A lump sum of money can be paid to the mortgage insurance company to avoid a monthly payment. This is paid at closing. This option is available for conventional loans and does not apply to government loans.



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