

Understanding Credit

Credit Report Resources

When it comes to owning a home or planning for your financial future, obtaining and maintaining good credit is critical. Typically, the higher your credit score, the more likely you are to qualify for a loan at a lower cost, usually in the form of lower interest rates and fees.

Order your free annual Credit Report and review all the information carefully. If you believe you've found a discrepancy, you should dispute it with the appropriate Credit Reporting Company. The phone number can be found on your credit report, or you can visit their website:

Equifax: https://www.equifax.com/personal/credit-report-services/credit-

Experian: dispute/www.experian.com/disputes/main.html

Transunion: https://dispute.transunion.com

If you have attempted to resolve credit report discrepancies and are having issues after working with the Credit Reporting Company, you can submit a complaint to the Consumer Financial Protection Bureau (CFPB).

Additional Resources

CFPB: https://www.consumerfinance.gov
FTC: https://www.consumer.ftc.gov
Fair Issacs: https://www.myfico.com

Obtaining Your Free Credit Report

The Fair Credit Reporting Act (FCRA) entitles you to a free credit report every 12 months from each of the three major consumer reporting companies (Equifax, Experian, and TransUnion).

You may order your reports from each of the three nationwide credit reporting companies at the same time or separately by accessing the online link below. Requesting your credit report will not affect your credit score.

Request and review your free report online or via phone.

Online: AnnualCreditReport.com Phone: 877 322 8228

Do not contact the reporting companies directly to order your free report.

A Warning About "Imposter" Websites

There are websites that claim to offer "free credit reports," "free credit scores," or "free credit monitoring". These sites are not associated with the free annual credit report program. In some cases, these "free" reports may come with strings attached or may try to collect your personal information.

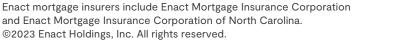
A Note About Varying Credit Scores

There are multiple types of credit scores in the market, and 16 different FICO scores alone! The scores you receive on your own may differ from the one your lender ultimately uses to qualify you for a loan. To better understand which score is used for your mortgage application, contact your lender.

https://www.creditstrong.com/which-fico-score-do-mortgage-lenders-use/https://www.creditkarma.com/credit-cards/i/fico-score-vs-credit-score









First-Time Homebuyer Budget Worksheet



CATEGORY	MONTHLY BUDGET AMOUNT	MONTHLY ACTUAL AMOUNT	DIFFERENCE
INCOME:	MONTHEI BODGET AMOONT	MONTHEI ACTUAL AMOUNT	DIFFERENCE
Salary/Wages (after taxes)			
Alimony, Child Support, VA Benefits			
Other Income			
EXPENSES:			
HOUSING:			
Rent			
Renters Insurance			
Electricity/Gas/Oil			
Water/Sewer/Garbage			
Cable/Internet			
Telephone (Land Line, Cell)			
SAVINGS & INVESTMENTS:			
Savings & Investments			
FOOD:			
Groceries			
Dining Out			
FAMILY OBLIGATIONS:			
Childcare			
Child Support/Alimony			
HEALTH & MEDICAL:			
Insurance (medical, life, long term care)			
Unreimbursed Medical Expenses, Copays			
TRANSPORTATION:			
Gas/Maintenance/ Repairs/Insurance			
Other Transportation			
DEBT PAYMENTS:			
Credit Cards			
Student Loans			
Car Loan			
Other Loans			
OTHER EXPENSES:			
Clothing			
Church/Charity			
Education			
Hobbies/Subscriptions/Dues			
Recreation/Vacation/Entertainment			
Pets			
SAVINGS OR SHORTAGE			





What Monthly Payment Can You Afford?

There are many online calculators available to help you determine how much of a total monthly mortgage payment you may be able to afford. An easy guideline to follow is the 36% rule; your total monthly debt should stay below 36% of your gross income (Debt-to-Income Ratio or DTI)¹. To do a quick estimate of what you could potentially afford, you need two basic numbers: Maximum Monthly Debt and Current Monthly Debt. Your lender may permit a different ratio than the estimate below.

GROSS INCOME

Step 1: Calculate your maximum debt based on your desired DTI ratio.

1	Annual Base Income	\$		
2	Annual Bonus, Commission and Overtime	\$		
3	Annual Military Entitlements	\$		
4	Other Annual Income (i.e. Child Support or Alimony)	\$		
5	GROSS ANNUAL INCOME (Rows 1+2+3+4)	\$		
				V
6	GROSS MONTHLY INCOME (Row 5÷12)	\$		Х
7			MAXIMUM \$ MONTHLY DEBT	

DEBTS

Step 2: Subtract your monthly debt from your maximum debt to calculate your max monthly mortgage payment.

8	Total Monthly Minimum Credit Card Payments	\$
9	Total Monthly Car Payments	\$
10	Total Monthly Personal Loan Payments	\$
11	Total Monthly Student Loan Payments	\$
12	Total Other Monthly Debts	\$
13	CURRENT MONTHLY DEBT (Rows 8+9+10+11+12)	\$
14	MAXIMUM MONTHLY MORTGAGE PAYMENT Maximum Debt (Row 7) — Current Debt (Row 13)	\$



¹ For illustrative purposes only; please consult your financial advisor regarding your own financial situation.

The Benefits of Mortgage Insurance



You can buy a home with a smaller down payment than you may think with mortgage insurance (MI).

MOVE IN FASTER

You don't have to wait until you've saved enough for a 20% down payment.

MORE BUYING POWER

You can buy a house with as little as **3%** down. So you have more money to use for what you really need.

SAVINGS **FLEXIBILITY**

Lower down payment allows you to use savings for whatever situation may arise.



MI may be canceled when the loan reaches 80% of the original value.1



Your monthly payment will go down when MI coverage is canceled.



MI may be able to save you more than FHA or other types of financing.

Homeownership doesn't have to be a dream. Mortgage insurance can get you into a house faster with less than a 20% down payment. Talk to your loan officer to learn more about the value of MI.

¹ Contact your loan servicer for cancellation requirements



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Who's Who in the Mortgage Process

Appraiser

An individual who is licensed to estimate the worth (fair market value) of the property you are purchasing.

Closing or Settlement Agent

The party who conducts the closing meeting. This role may be filled by an attorney, title company, or real estate agent depending upon the state where the property is located.

Loan Officer

A Loan Officer represents one lending institution and their loan programs. They help you choose the best mortgage loan based upon your situation and will help you complete the loan application.

Loan Processor

A Loan Processor is one who gathers, administers, and processes your loan application before it gets the approval of a loan underwriter. This individual is essential to getting your mortgage loan request to the final close.

Loan Servicer

The entity that collects mortgage payments (it may or may not be the lender) and pays taxes and insurance and mortgage insurance, if required, on your behalf.

Mortgage Insurer

By compensating the lender for losses should a borrower be unable to make payments, Mortgage Insurance allows a borrower to get into a home without having to come up with a 20% down payment. Many Mortgage Insurers, such as Enact Mortgage Insurance, can assist borrowers if they become behind in their mortgage payments.

Mortgage Lender

A financial institution that issues loans. Unlike brokers, lenders control the whole process, from underwriting to funding.

Property Inspector

An individual certified to conduct an examination of the home. An inspector will look for issues that may affect the value of the property and can assess the condition of a property's roof, foundation, heating and cooling systems, plumbing, electrical work, water and sewage, and some safety issues.

Real Estate Agent

A real estate agent is a person who acts as an intermediary between sellers and buyers of real estate/ real property and attempts to find sellers who wish to sell and buyers who wish to buy. They can often provide helpful and specific community information such as shopping, transportation, and schools.

Real Estate Broker

A broker is a licensed real estate professional who represents the sellers or buyers of a property, and can typically help determine the market values of properties. While a broker may work independently and has the ability to manage their own firm, an agent usually works under a licensed broker to represent clients.

Underwriter

A worker who evaluates and determines the risk for potential clients when applying for a mortgage. They may decide whether and under what terms to provide the mortgage.







Terms You Should Know

Amortization

Repayment of loan principal over time with scheduled payments that consist of both principal and interest. The loan balance declines by the amount of the principal in the scheduled payment.

Annual Percentage Rate (APR)

The APR shows the costs of your mortgage loan as a yearly rate. The APR includes up-front fees (such as points) as well as interest and is intended to show you the true cost of your loan. When comparing one loan to another, be sure to compare APR's to get a true picture of what each one will cost you.

Closing Costs

The cost of getting a mortgage in addition to the down payment. Usually 3-6% of the total loan amount.

Credit Bureau

An agency that collects statistics on individual payment records on loans, credit cards and other debts.

Debt-to-income (DTI) Ratio

The percentage of gross monthly income that goes toward paying all monthly debts, such as mortgage loans, car loans, student loans, credit cards, etc.

Equity

Equity is the portion of the property that you actually own through your payments, versus the portion that you still owe the mortgage lender. The longer you stay in your house, the more equity you will have.

Escrow

An account set up on your behalf in which a portion of your monthly payment is held to pay property taxes and insurance.

Gross Income

Amount earned before taxes or types of payroll deductions. Gross income includes overtime, commissions, dividends and any other sources for which a steady history can be shown.

Loan-to-value (LTV) Ratio

The ratio of a loan to the value of the asset purchased. If you have a higher down payment, you would have a lower LTV ratio. This factors into whether or not a lender will require someone to get mortgage insurance.

Points

Percentage points of the loan amount. Often in order to get a lower interest rate, lenders will allow borrowers to lower the rate by paying points upfront.

Pre-qualification

While not an approval, this gives borrowers an estimate of how much money they could borrow to purchase a home.

Pre-approval

A commitment from the Lender to make a loan to a specified borrower prior to identification of the specific property.







Mortgage Process: Do's & Don'ts

Your mortgage loan application process can be easier with a little bit of advance planning. Your post-application process can also be smoother when you keep in mind what activities can slow down your closing.

Do's when you plan to apply:

Keep an ongoing paper trail

You'll need to maintain ongoing documentation related to income, employment verification and current debts/obligations -- keeping your W2s, tax return documents, pay stubs and bank statements handy.

Provide money deposit receipts

This includes an earnest money deposit from your personal bank account or gift funds. Gift funds are acceptable only if certain criteria are met -- reach out to your loan originator for clarification here.

Maintain employment and income

You'll need to show stability through the mortgage application period. This process goes much smoother if you keep

your income steady and avoid major changes. Pay raises/ promotions are exceptions to this expectation, though

Create a savings plan

Buying a house is exciting, yes, but focusing on saving during this period is key. You'll need funds for an earnest money deposit, down payment and/or closing costs, and major purchases could impact your credit. Pay your bills on time and be mindful of spending habits.

Understand credit pulls

Your lender may pull a new credit report just prior to closing to check for new debt. If your recent credit activity raises a concern, you may be asked to explain.

Ask questions and communicate

At any point in the process, your team is there to help you and answer any question that might come up. Trust their expertise, communicate effectively and often, and learn what you can about the loan process to set yourself up for success.

Don'ts after you apply:

Close or open bank accounts

Before you open, close, or transfer money across accounts, check with your Loan Officer on how this may affect your qualification or documentation. Changes could result in a delay for the loan origination.

Make large bank deposits

If you deposit any money outside of your automated payroll deposits, especially cash, check with your Loan Officer on the documentation you will need to provide to verify their sources.

Change jobs, employer or employment

You can change jobs, as well as amend any tax returns, but you'll need to make your Loan Officer aware because it may impact your qualification and documentation. If shifts do occur, you may need a new loan approval.

Make major purchases

This involves large spending prior to or during the contract period. It's tempting to get new furniture, a car or house appliances, but these purchases will hurt your savings, debt-to-income ratio and credit utilization.

Open a new line of credit

This also includes closing credit lines, co-signing on loans, or making major purchases on credit cards.

Panic, stress or isolate

Your team wants you to be successful, knowledgeable and confident during this process. Whatever your finances, be sure to include all debts and liabilities on your mortgage application. Keep the lines of communication open and trust they want you to get across the finish line.







Home Comparison Checklist Enact®



Choosing a home is a major decision, but the process can be exciting! With our comparison tool, you can quickly identify the features that are important to you and rank the options to see which home best aligns with your preferences.

Directions:

- Step 1: Select the features that are most important to you in a home. Use our suggestions or create your own!
- Step 2: Rank the importance of these features, with 1 being the most important.
- Step 3: Check the box if the homes you are considering have these features.

Our calculator will rank each home based on your preferences.

	Rank			
		Home 1	Home 2	Home 3
	Address:			
	List Price:			
	Est. Monthly Payment			
	Payment			
Location	Priority			
Lovento	Priority			
Layouts	Priority			
Extra Features	Priority			





New Homeowner Checklist

Once you close on your house, you're not done yet! For starters, you'll still have to move, update your new address in various places, and make sure you're prepared to live in your new home. It's easy to forget the details, but we're here to help. So don't sweat the small stuff after you move in – follow the list below to help you ease into your new home faster.

Key Address Updates

Move over/set up utilities for new address (energy, water, gas, internet, cable, etc.)
Update your mailing address with USPS (including forwarding address updates)
Update your ID or driver's license
Update your car registration and insurance
Update your voter registration for any needed address changes
Update your address on your bank and investment services accounts
Update your address on your credit card accounts
Update new address for your employer
Find doctors and reliable professionals around you or update your new address in your online medical portals
Transfer subscription services to your new address

☐ Register your child(ren) to a school within your

Moving/Post-Moving Essentials

- □ Line up a pet sitter (or other arrangements) for moving day
- ☐ Organize and unpack your moving boxes by rooms
- Consider autopay to stay on top of monthly home payments and expenses (HOA fees, property taxes, etc.)
- $\hfill\Box$ Child-proof and pet-proof your new space
- ☐ Purchase a security system
- ☐ Purchase cleaning supplies that fit your new home's needs
- ☐ Stock up your pantry, fridge, freezer and cabinets
- ☐ Buy a gift for your Realtor or Real Estate Agent
- ☐ Meet your neighbors!
- ☐ Invite family and friends over to celebrate once you're settled

Homeownership doesn't have to be a dream. Private mortgage insurance can get you into a house faster with less than a 20% down payment. Talk to your loan officer to learn more about the value of mortgage insurance from Enact.





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