



# MAKING YOUR PATHWAY TO *home ownership* A REALITY

Brought to you by







Welcome to your new venture of purchasing a home. Buying a home will be one of the largest purchases you'll have in your lifetime. The process of purchasing a home can be overwhelming and stressful. However, Community Mortgage Funding, your Credit Union's trusted mortgage lender, has made it easy to understand with 7 steps.

Community Mortgage Funding, LLC. is a Credit Union-owned mortgage lender partnered with your Credit Union to offer a variety of mortgage loan products. We have been providing financial solutions for Members since 1999, striving for customer satisfaction, service and, most importantly, making homeownership possible.

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# 7 STEPS to CLOSING YOUR LOAN

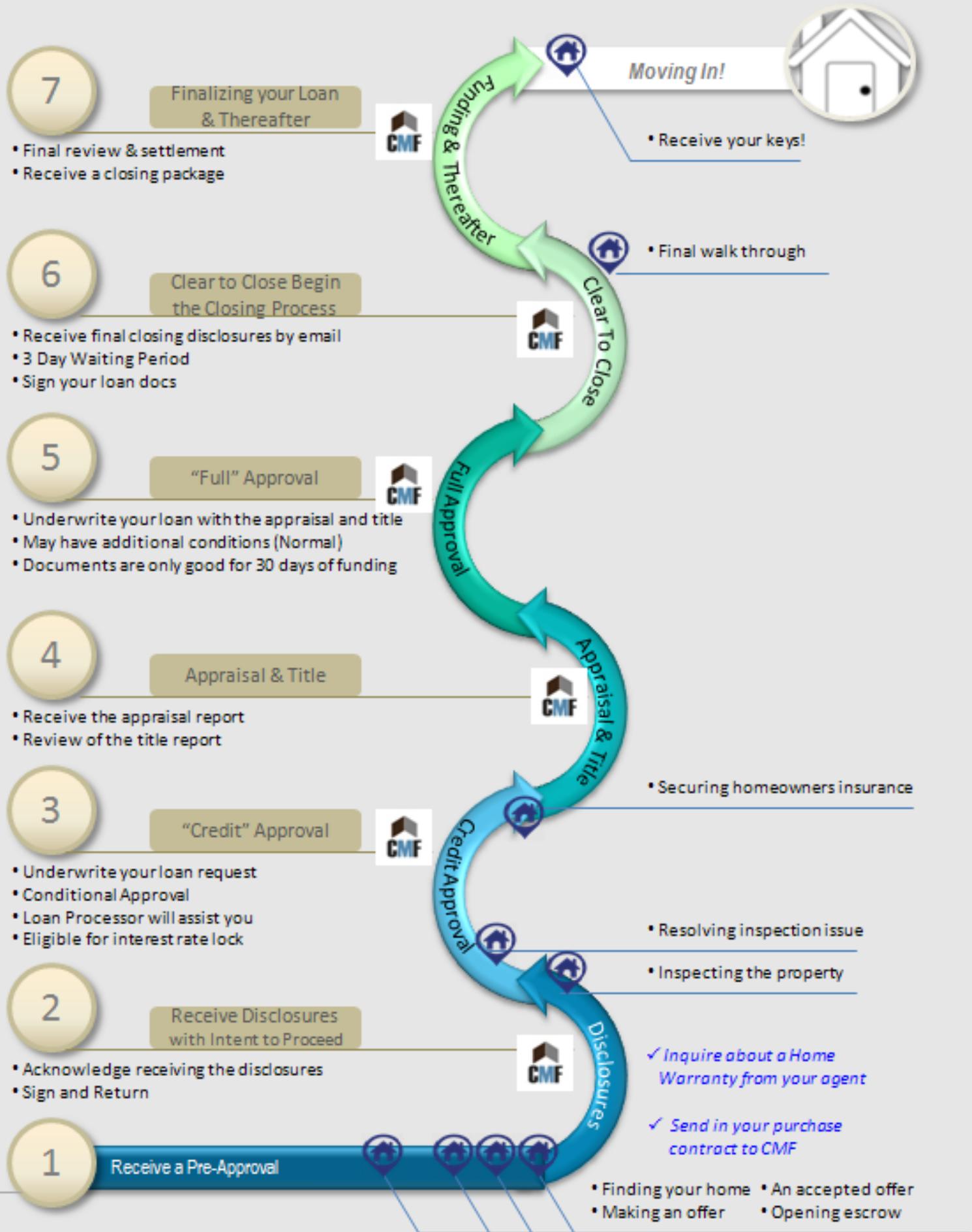
This Sequence of Events will guide you through the homeownership journey for Community Mortgage Funding's Mortgage Loan Process and the Real Estate Agent process

Each step will provide clarity and what you may expect.



[Start your application](#)

• Gather your personal documentation



# LET'S GET STARTED!

There are many reasons for owning a home. Many people simply want to provide a home for their family. However, buying a home is a type of investment that can accumulate wealth over time, similar to stocks and bonds. You may ask, "Is now the best time to buy?" Well, if you're renting, then it is time to give some thought to investing in your future. Stop paying someone else's mortgage, and start paying yourself!



## Here are some benefits to owning a home:

- **Personalization:** Personalize your property as you see fit.
- **Inheritance:** You own something tangible that can be left to your heirs.
- **Power of Amortization and Appreciation:** Making each mortgage payment and the property value increasing provides long term wealth called equity.
- **Tax deduction:** Mortgage Interest, Property Tax and MI may be deductible. Consult your tax advisor.

First and foremost, you need to know and determine what you will be able to qualify for. Your mortgage loan officer will help answer this for you. Two questions come to mind when determining which price range is best for me:

**What will the lender determine the maximum amount I can qualify for?  
How much of a monthly payment am I comfortable with?**

Just because you qualify for a certain amount does not mean you will be comfortable with that payment. Know your financial comfort level.

Once you have been pre-approved, your mortgage loan officer will provide you with a pre-approval letter that you may present to your real estate agent verifying that you are able to afford the home.

You will start with your Loan Officer and Loan Officer Assistant. Soon after, the Loan Processor will continue the next steps. You can expect your loan to close from 25-40 days.

**1. APPLICATION**

**2. DISCLOSURES WITH  
INTENT TO PROCEED**

**3. “CREDIT” APPROVAL**

**4. APPRAISAL AND TITLE**

**5. “FULL” APPROVAL**

**6. CLEAR TO CLOSE**  
BEGIN THE CLOSING PROCESS

**7. FUNDING AND  
THEREAFTER**

# PARTIES INVOLVED IN THE TRANSACTION

## COMMUNITY MORTGAGE FUNDING TEAM

**Your Community Mortgage Funding Team** will consist of five specialists involved at different stages of the loan process. The team is all housed in the same office which makes the process faster. Your communication will only **involve three**.

- **Loan Officer**
- **Loan Officer Assistance**
- **Loan Processor**
- *Underwriter*
- *Funder*

## REAL ESTATE AGENT

- Fiduciary responsibility to your interest
- Listen to your wants and needs
- Address any pitfalls or red flags
- Negotiates the purchase contract
- Help set up an inspection

## HOME INSPECTOR

The Home Inspector reveals any hidden damages such as mold, water leaks, electric, etc.

Inspector is optional to the buyer, but is highly recommended. It is for your protection as the buyer-beware.

## HOMEOWNER'S INSURANCE AGENT

- Homeowners Insurance covers both damage to your property and legal liability responsibilities.
- Flood Insurance is additional coverage needed if your property is located in a flood zone.

## SETTLEMENT AND TITLE AGENT

A title policy is insurance that covers the loss of ownership interest in a property due to legal defects and is required.

Escrow Is a neutral third party used to account for all the monies collected, disbursed and balance at the time of closing for the seller and the buyer.

Works with buyer and seller to set up the loan document signing. Notary is a legal witness.

## APPRAISER

The Appraiser's main focus is to determine the fair market value of the subject property

- General inspection will be made and noted
- The appraiser is not the same as an inspector

# 1. APPLICATION

## Start Your Application and Gather Your Documents

### Complete an Application

The first thing to do is complete an application. You can start the application process either with your Credit Union, online or by phone.

Where to apply:

- Visit the Credit Union
- Visit the online website  
[cmfloan.mortgagewebcenter.com](http://cmfloan.mortgagewebcenter.com)
- Call 877.915.3030

### Gather Your Personal Documentation

You will need to gather a list of personal documents, listed below, to advance the loan process.

#### INCOME

- Current Pay Stubs for the past 30 days (all applicants including all jobs)
- W-2's last 2 years (all applicants including all jobs)
- Federal Income Tax Returns last 2 years (include all pages and schedules)
- Self Employed- Corporation or Partnership Tax Returns (include K1 schedules)
- Current YTD Profit and Loss statement and/or Balance Sheet may be required

#### ASSETS

- 2 Most recent months bank statements (All pages including any blank pages)

#### OTHER

- Driver's License and Credit Union Member Number
- Divorce Decree if applicable

### Other Items to Take Into Consideration

**Do's** - If your credit, Income or assets presents some areas that need clarifying, be prepared to provide a letter explaining the situation. Common examples include documenting large deposits, credit derogatories, how your employer pays you, etc.

**Don'ts** - It is extremely important that your circumstances do not change significantly after your pre-approval has been issued without conferring with your mortgage loan officer; new debt, late payments,



changes in your employment, etc. Don't spend the money that has been documented for the down payment. Once this money is accounted for, it is critical that it be left alone.

*Please Note - A "soft-pull" credit will be ran right before funding your loan to determine if any new debt that may have surfaced on your credit since the original credit report was ordered and that you still qualify.*

# 1A. PRE-APPROVAL

Receive Your Pre-Approval and Begin Your Home Search

## Pre-Approval Letter

In today's market, there are more buyers than sellers. Prepare yourself before you shop for a home and obtain a viable pre-approval letter. Community Mortgage Funding evaluates your credit, income and assets to determine the loan programs and loan amount you qualify for. Having a pre-approval letter means a listing agent will take your offer seriously. **Community Mortgage Funding can generate a pre-approval letter within 24 hours at no cost to the Member!**

## Pre-Qualification

Determines a starting point of what you might qualify for. No personal documentation has been verified.



Reduce your closing costs by using our Home Rewards program

Start Your Home Search at [www.cmfhomerewards.com](http://www.cmfhomerewards.com)

- Free to sign-up
- Trusted real estate agent
- Receive a portion of a real estate agent's commission\*



### SERVICE

A friendly and trusted real estate agent will guide you every step of the way to finding your new home.

### CMF HOME REWARDS Commission Rebate Examples

Home Purchase Only	
Purchase Price	\$550,000
Agent's Commission (3%)	\$16,500
Your 20% Rebate	\$3,300
Home Sale and Purchase	
Sale Price	450,000
Agent's Commission (3%)	\$13,500
Purchase Price	\$550,000
Agent's Commission (3%)	\$16,500
Your 25% Rebate	\$7,500



Community Mortgage Funding provides a realty service with a unique benefit offered to Credit Union Members. You may earn 20% of the real estate agent's commission on a single purchase transaction or a 25% rebate on a dual transaction (purchase and sale) to be applied toward your closing cost known as a "real estate agent rebate".

**A listing** is a home offered for sale, represented by a listing/selling agent. The listing will contain pictures and various details of the home most commonly viewed through the Multiple Listing Service (MLS). As you pursue listings, you and your agent will coordinate plans to physically inspect the properties that may interest you. Once you find a home that you like, your agent will make an offer to the seller.

**Accepting your offer** After the seller reviews your offer, the seller may counter-offer. You can accept the counter offer or your agent can draft a new counter-offer modifying them. Keep in mind, if another offer were to come in, the seller is under no obligation to continue working with you and could enter into a contract with another buyer. Once both parties come to an agreement and sign all the terms specified in the contract, you have an accepted offer. You will provide your real estate agent a check for the earnest money agreed upon in the offer, made out to the settlement/escrow company, **not the real estate agent**. **Send Community Mortgage Funding a copy of your purchase contract as soon as possible.**

## 2. DISCLOSURES WITH INTENT TO PROCEED

Upon receipt of a complete application which includes a property, Community Mortgage Funding will generate your initial loan disclosures which includes a **Loan Estimate (LE)** of your approximate closing costs and loan terms. You will receive the loan disclosures to sign electronically in a private signing room. These need to be reviewed by you, signed and returned to Community Mortgage Funding. Also included in the initial loan disclosures is the Notice of Intent. By signing the Notice of Intent you agree to proceed with the transaction. At this time, Community Mortgage Funding will collect a non-refundable application deposit of \$350.00 - **this will be credited to your closing costs.**

### Locking the Interest Rate

You are now eligible to lock in your interest rate. Your loan officer will coordinate the interest rate, rate price or rebate credit and lock term with you. Rate locks are available for 25, 40 or 60 days. Once the rate is secured you'll received a disclosure verifying the locked rate, discount points or rebate credit. There is no fee to lock your rate. If the lock expires their may be a fee to extend the lock or you will be subjected to relock the rate at the current market rate.

## 3. THE "CREDIT" APPROVAL

### Preparing for Credit Approval

Now that we received your purchase contract, your loan will be reviewed by the underwriter for conditional credit approval. The conditional credit approval will be based on the actual sales price, loan amount and all of your financial documents you've supplied to be analyzed by the underwriter. The credit approval is conditional. It will require clarification on certain items, such as letters of explanation, updated paystubs, banks statements or further documentation to satisfy the investor's guidelines.

### Gathering Conditions

Your loan processor will explain to you each item the underwriter is requesting and explain how to fulfill the condition. Conditions are specific areas in the loan package that need additional clarification or documentation to completely satisfy the investor's guidelines.

*Examples of Common Conditions asked by the underwriter:*

- *Debts on credit report being paid by someone else. Twelve months of cleared checks from that person's bank account are required to exclude this payment from qualifying*
- *Explaining new employment or a gap of employment*
- *Explain and document any unusual bank deposits*
- *Property that has required repairs to be completed to make it lendable*

## 4. APPRAISAL AND TITLE

### Appraising the Property and Reviewing Title



An appraisal will always be required by the lender. It will determine the fair market value of the home despite the listing price. By law, the appraiser cannot be affiliated with any parties involved in the transaction nor can be influenced by law. The appraiser will contact the real estate agents to set up an appointment. Unlike a property inspection, it is not recommended you be present for the appraiser. You will be notified of its completion and provided a copy for your personal records.

#### The Appraiser's Main Focus:

- Measure and Inspect the property
- Evaluate the property and determine the fair market value
- Review similar homes that sold in the last six months
- Determine if the property requires any completion repairs

#### The Home's Value

If the property value comes in higher or lower than the agreed upon sales price in the contract, referring back to your real estate agent would be recommended.

#### Title Review

Title companies have sophisticated real estate title search and review departments. These departments review the public records relating to real estate, in order to inform all interested parties of the status and condition of title to the subject property. Title companies generally provide this information to each of the parties in the form of a preliminary title report, or commitment for title insurance. Title companies also provide title research information related to foreclosures and other and other types of legal action involving real property. A title policy is a one time purchase in the loan fees that will protect you from any title defects that may come up right after purchasing the home.

- Validates property address
- Verify any liens attached to the property
- Verify the legal owners (Sellers)
- Property boundaries and legal description

## 5. “FULL” APPROVAL

Upon receipt of the appraisal, your loan processor will submit your file for full loan approval, this includes the appraisal, title report and credit conditions. Once the full approval has been issued, the loan processor will contact you if any new conditions are required based on the documentation provided.

After all pre-closing conditions are cleared by the underwriter, you are **Clear-to-Close!**

## 6. CLEAR-TO-CLOSE

Your loan officer will be contacting you to go over the final closing figures and make any adjustments if needed. Next, you will receive the preliminary **Closing Disclosure (CD)** via email for your electronic review. The CD is an itemized disclosure with all of the settlement charges, pre-pays, earnest deposit, Home Rewards rebate, application deposit and any loan credits that offset the total funds due at closing. During this time, the CD is also be sent to the settlement agent to determine if any changes are required. **A 3 day waiting period must take place after acknowledgment of the CD.**

Once the CD waiting period is over, the **Final Loan Closing Documents** are prepared by Community Mortgage Funding and emailed directly to the settlement company. The settlement company reviews the closing costs, payoffs and prepaid costs a final time and adjust the figures accordingly. This is referred to as “working up the docs”. If any changes are required, the Settlement Agent will send Community Mortgage Funding a revised CD. The settlement company is now able to advise you the amount of funds required to be brought to closing via a cashier’s check or wired funds.

### The Signing

The closing documents are now in their final form and are ready to be signed. The settlement agent will contact you and the seller to arrange a signing appointment. A notary will be appointed for the signing to notarize the legal documents.

#### Be prepared to bring in:

- An ID that matches your name on the final closing documents.
- Funds required to the closing via a cashier’s check or wired funds.

The settlement company will review the original signed documents and send them back to Community Mortgage Funding. Afterwards, you will receive a copy of the documents for your records. Now we enter the final stage!

#### “Dry Funding” States vs. “Wet Funding” States

“Dry funding”: On the day of loan closing, all parties get together to sign mortgage documents, but all of the

paperwork required to officially close the loan doesn’t have to be completed at that time. Most importantly, no mortgage funds are distributed to the seller on that day. (Technically, the loan doesn’t officially “close” until all of the paperwork is completed, approved and mortgage funds are dispersed to the seller.) Dry funding states include: Alaska, Arizona, California, Hawaii, Idaho, Nevada, New Mexico, Oregon and Washington. All other states are “wet funding.”

“Wet funding”: Much stricter than dry funding, wet funding requires that all of the paperwork needed to officially close the loan must be completed and approved on the exact day of loan closing. With wet funding, the seller receives funds on the loan closing date or within two days thereafter. So wet funding moves the entire closing process along much faster than dry funding. If dry funding slows things down, why was it created? Basically, dry funding is an added layer of consumer protection to help ensure the legality of the transaction.

## 7. FUNDING AND THEREAFTER



Community Mortgage Funding receives your signed closing documents from the settlement agent. A “soft-pull” credit will be ran to determine if any new debt that may have surfaced on your credit since the original credit report was ordered. This is to ensure the lender that your qualifying debt-to-income ratios are still within guidelines. This critical review is the important reason why you should not make any changes where your credit, assets are affected while in the mortgage process. The Community Mortgage Funding Funder will

look over every last item to ensure there are no missing signatures or expired documents. Once completed, your loan will now be funded. Community Mortgage Funding wires the loan proceeds to the settlement agent and the deed will be recorded the same day or day after with the County Recorder’s office making you the official homeowner.

Congratulations! You’ll receive the keys to your new home from your real estate agent!

### What To Expect Thereafter from Community Mortgage Funding:

- You will receive your Coupon book approximately 2 weeks after funding
- Other payment options are available:
  - Online mortgage payments: <https://cmf.loanadministration.com/>
  - Call our toll free mortgage payment center. **866-913-2950**
- Community Mortgage Funding will email you a survey. We welcome your satisfaction of a 5 star review
- Have a little extra money set aside for any immediate unknowns
- You will receive a closing package from Community Mortgage Funding to store all of your important documents.
- Information about property taxes
- Mortgage insurance removal process (Conventional loans only – Borrower Paid Mortgage Insurance)

# FREQUENTLY ASKED QUESTIONS

**What mortgage options are available at Community Mortgage Funding?** Community Mortgage Funding offers a variety of mortgage options, including fixed-rate mortgages, adjustable-rate mortgages, Conventional loans, VA loans, FHA loans and reverse mortgages among others.

**Can I apply for a loan before I find a property to purchase?** Yes, applying for a mortgage loan before you find a home is the best thing you could do. You can use the pre-approval letter to assure real estate agents that you are a qualified buyer.

**How do I get the best mortgage rate?** While many factors regarding mortgage rates are out of your control, one thing that is in your hands is your credit score and down payment. Having a good credit score, which is generally considered a score of 740 or higher, shows you can manage debt responsibly and represent a lower risk to lenders. On the other hand, a 580 fico would be the minimum score able to obtain a loan through Community Mortgage Funding.

**What is PMI?** Private Mortgage Insurance (PMI) protects lenders against losses that can occur when a borrower defaults on a mortgage. PMI is required on first mortgage purchase transactions when the borrower has less than a 20% down payment. Likewise, it is required on first mortgage refinance transactions when the borrower has less than 20% equity in the property. The cost of the mortgage insurance is typically added to the monthly mortgage payment. Ask about our lender paid MI options.

**Do I need a down payment?** Yes, Community Mortgage Funding offers low down payment financing. Opportunities depend on the loan product, loan purpose, occupancy and credit profile. Financing is available up to 97% of a property's current appraised value. VA and USDA loans may not have a down payment requirement. Ask us about our down payment and closing cost assistance program.

**How is the lending decision made?** An underwriter will examine your application, credit history, income, assets and the subject property to the guidelines. These are the main factors which describe you as a mortgage applicant. It determines a level of risk and in some cases affects your interest rate.

**Do I have to have perfect credit?** No, While it is true that if your credit score is high you may receive a better rate and have more options available to you. This doesn't mean you can't obtain a mortgage if you've had some hiccups in the past. Credit is only one factor in the underwriting process. However, your credit history needs to demonstrate both willingness and ability to repay on time.

**Can I purchase a home and repair the home at the same time?** Yes, with our 203k renovation loan you can purchase and repair the home with upgrades you desire all-in-one loan. Upgrade examples: Bathroom, kitchen, flooring, windows, paint etc. Ask a Community Mortgage Funding loan officer about the 203k product.

**What are the closing costs?** Closing costs include items like appraisal fees, title insurance fees, attorney fees, pre-paid interest and documentation fees – to name a few. These items are usually different for each customer due to differences in the type of mortgage, property location and other factors. You will receive a loan estimate disclosing your closing costs.

***Why use a Real Estate Agent? (Next page)***

# WHY USE A REAL ESTATE AGENT?

## **IMPORTANT THINGS TO KNOW - There is a great deal to know about a property before preparing to visit a home and making an offer**

The first and foremost important reason of using a real estate agent, is representation for your best interest. The Seller's Agent has a fiduciary responsibility to the seller's interest, not entirely your interest. This is why having a real estate agent separate from the seller's agent is important for you as the buyer. Contrasting, when you are buying a home, the seller may urge you to use their particular mortgage lender. If you use the seller's preferred lender, who really benefits? Are you getting the best deal for the next 30 years? Remember... fiduciary responsibility to the seller.

### **Who Pays For My Real Estate Agent? (You May Be Surprised)**

The seller pays both the listing and buyer's real estate agent's commissions. You may be surprised to find out that your dream is more accessible than you think. Recently emerging, buyer's agents have on occasion charged an extra "broker fee" to the buyer, intended to cover brokerage's administrative costs. Community Mortgage Funding Home Rewards does not have any real estate "broker fees" for the buyers to pay.

### **What is a contingency?**

A contingency is a way to protect the buyer and seller during the process. Do not sign a contract without contingency as this may forfeit your legal right to your earnest money deposit to the seller if the deal falls apart. Make sure your agent explains all of the contingencies as they are not all the same.

The purchase offer you submit on a home becomes a legally binding contract, if accepted. If you back out, the seller can charge you with a breach of contract. Contingencies allow you to walk away from an agreement without penalty. This is one example of why you should have your own agent separate from the seller's agent for your best interest.

### **Common Buyer Mistakes – I don't want to bother my agent**

Ever visited an open house by yourself? You may have

had an agent ask you whether or not you have an agent. Often, agents will use this question as a segue-way to offer themselves for hire. This way, they can double the profit from receiving commission from both the seller and the buyer. Some will even go so far as to say "they can't sell to somebody who isn't represented."

### **Common Buyer Mistakes – Going to NEW Construction without their agent**

This might be the fault of the agent who didn't properly educate their buyers, but home buyers always benefit from having professional representation on their side no matter what any builder might say. If a builder promises you a discount for not having an agent, exactly how do you know that the price you're getting is actually discounted?

### **Common Buyer Mistakes – Buyers who ask for Home Upgrades in a repair request**

The repair request process is a negotiation. But, it's not the seller's job to improve their home in order to sell it. If something is broken it can be fixed. If something is dangerous, then by all means, let's correct it! Used homes are used. Things age, floors creak, doors squeak. Just because you don't like the stained carpet in the family room doesn't mean there's any justification for the Seller to replace it. It's simply unrealistic for buyers to expect perfection from any property.

# FIRST MORTGAGE LOAN OPTIONS

Some potential buyers may hesitate perusing a home loan because of financial concerns. Community Mortgage Funding provides a variety of mortgage loans that are suitable to fit your needs. The minimum FICO score is 580, however, higher FICO scores will provide you with more options and better pricing. Each product has unique characteristics and guideline requirements to fit your goals.

## Options to Meet Your Financing Goals

100% Financing **VA**

100% Financing **USDA**

97% Financing **Conventional**

96.5% Financing **FHA**

95% Financing **High Balance** 80%

Financing **Up to \$3 Million**

Purch or Refi **Reverse Mortgage**

**Home Rewards** Real Estate Services\*

**Ask us about our Down Payment  
and Closing Cost Assistance Programs!**

### Minimal Funds For a Down Payment

#### FLEXIBILITY

- First Time Home Buyers can put as little as 3% down payment. We finance 97% of the home
- Most Veterans qualify for 100% financing
- Your down payment can come from a gift or down payment assistance program.

### High Debt or Credit Issues

#### AFFORDABILITY

- Some people have more debt than others, some have past credit issues
- Your credit does not have to be perfect
- FHA loans are less stringent on credit and debts

### Closing Cost and Real Estate Agent Fees

#### INNOVATION

- There are 3 ways reduce your closing costs that apply to everyone!
- Home Rewards (Realty Service)\*
- Select a higher interest rate (Rebate Pricing)
- Your Credit Union may offer a promotion

# HELPFUL LINKS

## CREDIT

Credit is the foremost factor that determines your eligibility for a home loan. All home loans use a certain credit report commonly known as a tri-merge report. A tri-merge report is to give the borrower the benefit of the doubt that not only one credit bureau can influence the credit decision but three bureaus are run. A credit bureau is an credit reference agency company that collects information relating to the credit ratings of individuals and makes it available to financial institutions, etc. Any individual can access their personal credit report with all three bureaus by simply visiting their websites. Equifax, Experian and Transunion are the names of the three bureaus.

Consumer websites, free credit reports

[www.annualcreditreport.com](http://www.annualcreditreport.com)

[www.equifax.com](http://www.equifax.com)

[www.experian.com](http://www.experian.com)

[www.transunion.com](http://www.transunion.com)

## CREDIT COUNSELORS

Is an option for those whom need a face-to-face counseling to prepare their credit for homeownership.

<https://www.nfcc.org/>

## HOUSING COUNSELORS

Are required per guidelines for those whom are first time buyers entering into a payment shock. Payment shock is when your current rents are much lower than the new proposed payment.

<https://www.consumerfinance.gov/find-a-housing-counselor/>

## FINDING A REAL ESTATE AGENT

Community Mortgage Funding offers real estate services to all Members of the Credit Union with the benefit of earning a rebate.

<http://cmfhomerewards.com/>

## FINDING A HOME INSPECTOR

Home inspections are an option for the buyer, this is one small investment that will be the absolute best thing you can do for yourself as the new homebuyer.

<http://www.homeinspector.org/HomeInspectors/Find>

## YOU FINALLY GET YOUR KEYS! Settlement/ closing

The American title association in a national association providing Home Closing 101 guide to settlement, cost and details of the closing process.

<http://www.homeclosing101.org/the-closing-process/closing-costs-explained/>

## THE FINANCIAL SIDE

Taxes and Homeownership. On the IRS homepage, search for publication 530, provides details on which homeownership expenses you may and may not deduct from your federal tax returns. <https://www.irs.gov>

## MORTGAGE INSURANCE CANCELLATION

The mortgage insurers of America provides specific information on how and when private mortgage insurance may be canceled.

<http://www.usmi.org/>

## IN THE LONG RUN

Become energy efficient. Energy Star is a site to locate brands of clothes washers, refrigerators, dishwashers room air-conditioners, and other appliances with the Energy Star label. The home Energy Saver is an internet tool to calculating energy used in homes.

[Homeenergysaver.lbl.gov](http://Homeenergysaver.lbl.gov)



**A HOME FOR EVERY MEMBER  
OF YOUR FAMILY**

# MORTGAGE GLOSSARY

**Adjustable Rate Mortgage (ARM):** Mortgage loans under which the interest rate is periodically adjusted based upon terms agreed to at the inception of the loan.

**Amortization:** The systematic and continuous payment of an obligation through installments until the debt has been paid in full.

**Annual Percentage Rate (APR):** A term used in the Truth-in-Lending Act to present the percentage relationship of the total finance charge to the amount of the loan. The APR reflects the cost of the mortgage loan as a yearly rate.

**Appreciation:** An increase in the value of a property due to market conditions or other causes. The opposite is depreciation.

**Closing Costs:** Costs that are paid at closing, in addition to the purchase price of the property. These costs normally include, but are not limited to, origination fees, discount points, attorney's fees, costs for title insurance, surveys, recording documents, and prepayment of real estate taxes and insurance premiums held by the lender. Sometimes the seller will help the borrower pay some of these costs.

**Closing Statement:** An accounting of the debits and credits incurred at closing. All FHA, VA and Conventional financing loans use a Uniform Closing or Settlement Statement commonly referred to as the HUD-1.

**Condominium:** A form of property ownership in which the homeowner holds title to an individual dwelling unit, an undivided interest in common areas of a multi-unit project, and sometimes the exclusive use of certain limited common areas. All condominiums must meet certain investor requirements.

**Credit Rating:** A rating given a person or company to establish credit-worthiness based upon present financial condition, experience and past credit history.

**Debt to Income Ratio:** Compares the amount of monthly income to the amount the borrower will owe each month in house payment (PITI) plus other debts. The other debts may include but are not limited to car payments, credit cards, alimony, child support, and personal loans. This ratio is commonly used to see if the borrower has the capacity to repay the debt.

**Finance Charge:** The cost of credit as a dollar amount (i.e. total amount of interest and specific other loan charges to be paid over the term of the loan and other loan charges to be paid by the borrower at closing). Loan charges include origination fees, discount points, mortgage insurance, and other applicable charges. If the seller pays any of these charges, they cannot be included in the finance charge.

**Flood Insurance:** Insurance that compensates for direct physical damages by or from flood to the insured property subject to the terms, provisions, conditions and losses not covered provision of the policy. It is required for mortgages on properties located in federally designated flood areas.

**Gift Letter:** A letter or affidavit that indicates that part of a borrower's down payment is supplied by relatives or friends in the form of a gift and that the gift does not have to be repaid.

**Homeowners Association (HOA):** A non-profit corporation or association that manages common areas and services of a Condominium or Planned Unit Development (PUD).

**Homeowners Insurance:** Insurance that covers damage to the insured's residence and liability claims made against the insured, subject to the policy terms, conditions,

**Lien:** A legal claim against a property that must be paid off when the property is sold. A lien is created when you borrow money and use your home as collateral for the loan.

**Loan Terms:** Number of years a loan is amortized, generally 10, 15, 20, or 30 years.

**Loan-to-Value (LTV):** The ratio of the total amount borrowed on a mortgage against a property, compared to the appraised value of the property. A LTV ratio of 90 means that the borrower is borrowing 90% of the value of the property and paying 10% as a down payment.

**Lock-In-Rate:** A written agreement between the lender and borrower for a specified period of time in which the lender will hold a specific interest rate, origination and/or discount point(s).

**Mortgage Insurance:** Insurance written in connection with a mortgage loan that indemnifies the lender in the event of borrower default. In connection with conventional loan transactions, this insurance is commonly referred to as Private Mortgage Insurance (PMI).

**Mortgage Servicing:** Controlling the necessary duties of a mortgagee, such as collecting payments, releasing the lien upon payment in full, foreclosing if in default, and making sure the taxes are paid, insurance is in force, etc. A company acting for the lender, for a servicing fee, may provide servicing. (Also called Loan Servicing.)

**Origination Fee:** A fee paid to a lender for processing a loan application.

**Planned Unit Development (PUD):** A housing project that may consist of any combination of homes (one family to four-family), condominiums, and various other styles.

**Promissory Note:** A document in which the borrower promises to pay a stated amount on a specific date. The note normally states the name of the lender, the terms of payment and any interest rate.

**Property Taxes:** Taxes assessed on real estate. Property taxes are based on valuations by local governments.  
**Real Estate Settlement Procedures Act (RESPA):** A consumer protection law that requires, among other things, lenders to give borrowers advance notice of closing costs known as a Closing Disclosure.

**Real estate agent:** A person licensed to negotiate and transact the sale of real estate on behalf of the property owner. A real estate broker must hold active Membership in a real estate board affiliated with the National Association of Real estate agents.

**Recording Fee:** The amount paid to the recorder's office in order to make a document a matter of public record.  
**Seller Contribution:** The seller may be paying some or all of the borrower's cost. The amount of the contribution has limitations.

**Servicing:** All the management and operational procedures that the mortgage company handles for the life of the loan, up through foreclosure if necessary, including: collecting the mortgage payments, ensuring that the taxes and insurance charges are paid promptly, and sending the borrower an annual report on the mortgage and escrow accounts.

**Settlement Statement:** Also referred to as a HUD-1 Settlement Statement. The complete breakdown of costs involved in the real estate transaction for both the seller and buyer.

**Title Insurance Policy:** A contract by which the insurer, usually a title company, indicates who has legal title and agrees to pay the insured a specific amount of any loss caused by clouds, claims or defects of title to real estate, which the insured has an interest as owner, mortgagee or otherwise. (a) **Owner's Title Policy:** Usually issued to the landowner himself. The owner's title insurance policy is bought and paid for only once and then continues in force without any further payment. Owner's Title Insurance policies are not assignable. (b) **Mortgagee's Title Policy:** Issued to the mortgagee and terminates when the mortgage debt is paid. In the event of foreclosure, or if the mortgagee acquires title from the mortgagor in lieu of foreclosure, the policy continues in force, giving continued protection against any defects of title which existed at, or prior to, the date of the policy.

**Underwriting (Mortgage Loans):** The process of evaluating a loan application to determine the risk involved for the lender. It involves an analysis of the borrower's creditworthiness and the quality of the property itself.







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\*Program subject to change without notice. 1) Rebate payment is made by HomeSmart Evergreen Realty and is credited to your benefit at the close of transaction. Rebate for home purchase only is 20%. Rebate for home sale and purchase is 25% for each transaction. In order to receive the 25% rebates, the home sale and purchase transactions must take place within six months of each other. HomeSmart Evergreen Realty is not affiliated with Community Mortgage Funding, LLC. 2) Commission Rebates are not allowed in the following states: Alabama, Alaska, Iowa, Kansas, Louisiana, Mississippi, Missouri, Oklahoma, Oregon and Tennessee. 3) 20% escrow services discount guaranty paid by Escrow Options at the close of transaction.

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TEXAS CONSUMER COMPLAINT AND RECOVERY NOTICE: Consumers wishing to file a complaint against a mortgage banker or a licensed mortgage banker residential mortgage loan originator should complete and send a complaint form to the Texas Department of Savings and Mortgage Lending, 2601 North Lamar, Suite 201, Austin, Texas 78705. Complaint forms and instructions may be obtained from the department's website at [www.sml.texas.gov](http://www.sml.texas.gov). A toll-free consumer hotline is available at 1-877-276-5550. The department maintains a recovery fund to make payments of certain actual out of pocket damages sustained by borrowers caused by acts of licensed mortgage banker residential mortgage loan originators. A written application for reimbursement from the recovery fund must be filed with and investigated by the department prior to the payment of a claim. For more information about the recovery fund, please consult the department's website at [www.sml.texas.gov](http://www.sml.texas.gov).  
3201 W. Temple Ave Suite 120 - Pomona, CA 91768