



Mortgage

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The mortgage industry is constantly evolving and changing, with a variety of mortgage products. Selecting the right mortgage and the right lender is critical to closing on your new home. When speaking with your lender, ensure you fully understand the options available to you and the process of obtaining the loan.

Below are a few helpful tips when it comes to your mortgage. However, your lender will walk you through the process and your options at a much more in-depth level.

PRE-QUALIFICATION VS. PRE-APPROVAL

A **Pre-Qualification** allows a lender to provide you with a letter documenting an estimate of what you can afford based on the information you have provided.

A **Pre-Approval** means a lender has taken a detailed look into your financial situation and has committed to lend you a certain amount of money, pending specific property details. A pre-approval includes a credit check and review of supporting documentation and is therefore more powerful than a Pre-Qualification.

THE DO'S AND DON'TS OF THE MORTGAGE PROCESS

- Do continue to make your rent payments
- Do stay current on all existing credit cards and other accounts
- Do keep working for your current employer
- Don't make any major purchases
- Don't apply for new credit
- Don't open or close a credit card
- Don't change bank accounts
- Do call your lender with any questions regarding a change in your financials**

REQUIRED DOCUMENTATION FOR THE LOAN

Be prepared for your lender to ask for the following documentation during the loan process (note that additional documentation may be needed!)

- W-2 Forms or 1099's for the last 2 years
- Federal tax returns for the last 2 years
- Lease agreement and landlord's name, address, and telephone (if applicable)
- Year to date pay stub
- Self-Employed: year-to-date profit & loss statement
- Two most recent bank or brokerage statements for all accounts
- Information on credit cards, car loans, other mortgages, etc.

LENDER RECOMMENDATIONS

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FREQUENTLY ASKED QUESTIONS

What is a mortgage?

A mortgage is a loan to help you finance your home. Your lender advances you a certain amount of money, which you repay for a specified period.

What does escrow mean?

An item of value, typically money, deposited with a third party, to be delivered upon the fulfillment of a condition.

What is an interest rate?

Interest is the cost to borrow money. Typically, it is a percentage of the actual amount borrowed and is paid out over a period of time.

How is my interest rate determined?

The current overall rate environment/economy, your financial profile, and specific features of your loan.

What is PMI?

PMI stands for Private Mortgage Insurance and is required if you are purchasing a home with less than 20% down. Once you've paid enough to have 20% equity in your home, the PMI can be cancelled.

YOUR MONTHLY MORTGAGE PAYMENT

Mortgage payments can generally be divided into 4 parts:

Principal: the amount of money remained unpaid that you borrowed to buy a home. This is part of the monthly payment that reduces the outstanding balance of the mortgage.

Interest: the cost of borrowing money. The amount of interest you pay each month is determined by your interest rate. The lower the rate, the less money you pay.

Property Taxes: assessed by your local government.

Insurance: consists of Homeowner's Insurance and sometimes Private Mortgage Insurance (whether you pay mortgage insurance depends on the loan and size of your down payment).

**Your monthly mortgage payment does not consist of utilities or HOA fees*