

# THE MORTGAGE LOAN PROCESS

Thinking of buying a home? Here are some terms and guidelines you'll want to know:

## PREQUALIFICATION

Prequalifying with First National Bank is FAST and FREE. In order to understand your financial picture and readiness to purchase a home, a lender will need your application. This will authorize the Bank to pull a credit report and complete an initial underwriting to get an idea of your situation.

## CREDIT SCORE

Your credit history and score are indicators of how well you manage debt. Credit scores can range from 309 to 844 and your score is determined by your payment habits on past obligations like credit cards and loans. Obtaining a 30-year fixed rate mortgage will require a minimum score of 620. This score is also a factor in determining the mortgage rate you qualify for and the premiums you'll pay for mortgage insurance, if you need it. A credit score below 620 may still qualify for other types of financing.

## DOWN PAYMENT

It's possible to get a mortgage with as little as 5% down (some VA and Rural Development loans even offer 100% financing). If you can put at least 20% down, you can avoid paying mortgage insurance or having a second mortgage.

## FUNDS TO CLOSE

Final loan approval will require documentation to show that you have sufficient assets to cover your down payment, closing costs and initial escrow deposit. Funds must be in an account in your name for a full monthly bank statement cycle prior to approval, unless you use a tax refund or gift funds from a relative.

**Example** – Someone who wants to put 5% down on a purchase price of \$150,000 would need:

\$7,500 – 5% Down Payment

\$1,500 – Closing costs (amount is typical for First National Bank mortgage loans)

\$900 – First annual premium for Homeowner's Insurance (estimated)

\$2,000 – Initial deposit into escrow account (estimated)

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\$11,900 Estimated Total Funds to Close

## DEBT RATIO

Your debt-to-income (DTI) ratio is calculated by adding all your monthly payments such as loans and credit cards, as well as the new house payment you are considering, and dividing that number by your gross monthly income. To qualify for a mortgage with First National Bank, this ratio must be under 50%.

**Example** – Someone who earns \$4,000 a month, pays \$300 on a car loan, \$100 to credit cards and is considering a mortgage payment\* of \$1,000, DTI ratio would be: \$1,400 divided by \$4,000 = 35%

## PITI

Acronym for Principal, Interest, Taxes and Insurance. PITI are the primary components that make up your house payment. The principal and interest make up the core of your loan payment. Property taxes, homeowner's insurance and, in some cases, mortgage insurance can be included in your payment as part of an escrow payment.

**Example** – PITI on a \$142,500 loan @ 4.50% APR for 30 years

\$722 – Principal & Interest

\$200 – Property Tax (estimate)

\$75 – Homeowner's Insurance (estimate)

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\$997 – Total PITI payment

## ESCROW

This is an account used to pay your property tax, homeowner's insurance and (if required) mortgage insurance. Part of your monthly payment can be directed to this account so that property taxes can be automatically paid from it bi-annually and homeowner's insurance annually. Mortgage insurance (if required) would be paid monthly.

You can find helpful tools on our website, including a mortgage calculator to help you estimate a monthly payment: <https://www.FNB247.com/calculators>

# GUIDE TO REAL ESTATE FINANCING

**Local. Personal. Accessable.** Since 1903, our focus has always been on providing products and services that meet the unique needs of our customers. Whether you're buying, building or making improvements, home financing is a major decision. Our mortgage specialists will work with you to secure the real estate loan that best fits your needs. Choose from these convenient mortgage loan options:

## SECONDARY MARKET LOAN

Fix your mortgage rate for up to 30 years. You work with a First National Bank mortgage specialist from application through approval and closing. After the loan closes, the mortgage is transferred to the investor who will service the loan going forward. This is a popular choice for home purchases as well as refinances to lower monthly payments or to pay-off a mortgage more quickly.

## IN-HOUSE LOAN

Even if your situation doesn't "fit the mold" for Secondary Market financing, you still have options! With a First National Bank In-House loan, you'll benefit from a streamlined process, low fees and more flexibility to accommodate unique properties, title holders and many other situations that might be "outside the box."

## REFINANCE

The benefits of refinancing can depend on your needs. If rates have dropped since you financed your home, you may save by refinancing to a lower rate. If you're interested in paying off your loan sooner, you may want to refinance to a shorter term loan.

## CONSTRUCTION LOAN

Building a new home is an exciting time with many factors to consider. When you're busy with details like lot location and design, First National Bank will make financing your new home hassle-free. With our construction financing, you apply only once for both construction and permanent financing. Once approved, we will work directly with your builder on draw requests and securing lien waivers. Each project is unique and our construction specialists will be happy to meet with you to discuss the specifics of your financing.

## BRIDGE FINANCING

If you're ready to build or buy but haven't sold your current residence, we can help you find options for managing both loans.

## HOME EQUITY LOAN LINE OF CREDIT

Put your home's equity to work for you to finance home improvements, consolidate debt, purchase a vehicle or a vacation...whatever you need. A home equity loan has a fixed rate and fixed monthly payments while a line of credit has variable rates and the option to draw on the line as you need the funds. With either option, you can finance up to 90% of your home's value.

## First National Bank Mortgage Services

### EMAIL:

[mortgageservices@FNB247.com](mailto:mortgageservices@FNB247.com)

### CALL:

515-232-5561

### APPLY ONLINE:

<https://www.FNB247.com>