



Frame *Your* Future *in 6 Steps*

Home is your support in all of life's meaningful moments.

While most people buy a new home a handful of times in their life, our experts help customers navigate the path to homeownership confidently. Working with a local lender means access to competitive rates and local decision-making. Frandsen Bank is committed to a simple, in-house underwriting process, and full service of your loan.

FRANDSEN BANK & TRUST



FrandsenBank.com

YOUR PATHWAY TO HOMEOWNERSHIP



1. Get Pre-qualified



2. Select a Home & Negotiate



3. Secure Financing



4. Finalize the Loan & Underwriting



5. Prepare for Closing



6. Sign & Celebrate

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GET PRE-QUALIFIED Your local Frandsen Bank mortgage lender can help complete your pre-qualification. They will review your assets and financial history to help you assess the potential purchase price for your new home. While sharing this information might feel very personal, an honest conversation with your lender will ensure you have the best possible mortgage for your needs.



Get Your Credit in Order: Review your credit report with your lender to identify errors or discrepancies that might affect your score.



Debt-To-Income Ratio (DTI): Your DTI is an indicator of your overall financial health, and is a factor that all lenders consider. Frandsen Bank generally allows up to a maximum DTI of 40 to 45 percent to qualify for most loan products.

Our lender will review the following to calculate your DTI.



Assets

- Recent pay stubs
- W-2 forms or tax returns
- Proof of additional income
- Documentation for any down payment funds: assistance or gifts
- Bank statements
- Additional assets: investment accounts, properties, etc.

Commitments & Expenses

- Auto loan(s)
- Student loan(s)
- Credit card activity

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SELECT A HOME & NEGOTIATE Once your pre-qualification is complete, you can start shopping within your predefined budget. When you select your future home, your real estate agent or representative can submit an offer on your behalf. This is when you finalize a purchase agreement.

Start Preparing for a Home Inspection: Home inspections help identify potential issues with the interior and exterior of the property. This process allows you to make calculated decisions based on the disclosed information. If you opt for a private inspection, the purchase agreement will include a timeline for when it will occur. Most lenders, including Frandsen Bank, strongly encourage homebuyers to obtain a home inspection.

- If you opt for a private inspection, it is your responsibility to select and retain your own inspector.
- You must coordinate a time with the seller when the inspector can visit the property.
- You will pay for the inspection with your funds.

When completed, you will need to sign a document stating either that you are satisfied with the results or the inspection or listing items that you want the seller to fix.

Select Homeowners Insurance: Most lenders require a homeowner's insurance policy in place before you can close. This protects both you and the lender by covering the cost to repair or rebuild the property and replace your belongings. The first year's premium for your homeowners insurance is typically paid as part of your closing costs.

3 **SECURE FINANCING**

Your Frandsen Bank mortgage lender will help you choose a loan program that best suits your needs.

- A variety of terms are available
- First-time homebuyer programs
- Veterans Affairs and other government-backed programs (RD, FHA, etc.)
- Jumbo loans up to \$3.5 million



The Details That Make a Difference

Down Payment: The more you can contribute toward a down payment, the less your monthly mortgage payment will be. Most first-time and first-generation programs only require a minimum 3 percent contribution.

Earnest Money: You will be required to provide this payment at the time of the purchase agreement, which is generally 1 percent of the purchase price. The money will be deposited into a trust account and applied to your closing costs. You may lose this money if you decide to withdraw from the sale after the purchase agreement is signed.

Monthly Housing Costs: Beyond the mortgage payment, consider total monthly housing costs; including property taxes, homeowners insurance, private mortgage insurance (PMI), utilities, and potential HOA fees. These recurring expenses can affect what you can truly afford.

Interest Rate Interest rates can have a significant impact on your monthly mortgage payment. If rates are expected to rise, you should lock the interest rate as soon as your lender allows. When rates are projected to decline, float the rate as long as the market allows. This process may be discussed during the purchase agreement.

To avoid delays in your closing, it is recommended that you lock your rate at least 10 days before the closing date.

Once the purchase agreement is signed, you can secure financing by completing the loan application. This process can be done in person at your local Frandsen Bank branch, by mail, or online at FrandsenBank.com.

4 **FINALIZE THE LOAN & UNDERWRITING**

This process includes appraisal, title search, disclosures, and additional requirements that vary based on the type of property and your mortgage.

- You may be asked to provide additional financial information. The more prompt you are in providing and answering questions, the smoother the process will be.
- The seller will need to provide access to the home for an appraiser and potentially an additional inspector.
- The seller may be asked to provide an abstract of title to the property.

Appraisals, Explained: The bank may also purchase an appraisal of the property. An appraisal is a written estimate examining the true market value of the property. The appraisal will be prepared by a licensed appraiser who will review the property's interior and exterior while also taking into consideration recent sale prices for similar properties in the area. This will help generate an estimate for their fair market value. Homebuyers will be charged for this process, which will be applied to the closing costs. Buyers will receive a copy of the appraisal for personal records.



Title Search & Insurance: Frandsen Bank & Trust requires both a title search and title insurance. As a buyer, you will pay the associated fees as part of closing.

A title search is a detailed review of public property records to verify legal ownership and identify any existing claims, liens, or other issues that could affect the ability to buy a property. The process uncovers items like unpaid taxes, outstanding contractor bills, mortgages, lawsuits, or other legal claims that could create problems for you as a buyer. A title insurance policy is available both for lenders and owners.

- Lender title insurance ensures the title to the home will transfer into your name on the closing date, free and clear of liens and claims. This required policy protects the bank's interest in the property, not that of the buyers.
- Owner's title insurance will personally cover you from claims against the title. This is optional. If you decline to purchase the policy at closing, it can be more expensive to obtain later.

The loan processing may involve the services of third-party vendors, and unexpected delays can occur. Frandsen Bank & Trust does not have control over this factor.

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PREPARE FOR CLOSING The closing process will typically take place at the office of a title company of your choice. If you do not have a preferred a title company, the bank can help suggest one. Once the bank provides documentation to the title company to initiate the process, the title company will contact you or your real estate agent to arrange a date/time for the closing. Your lender will send you a closing disclosure detailing the final costs approximately three days before the closing date.



Almost Home! Closing Day Checklist



Use this to gather what you'll need and finalize the details before closing, such as:

- Your homeowner's insurance with Frandsen Bank & Trust as the lien holder
- Receipt for insurance policy payment
- Flood insurance policy, if applicable
- Inspection, water test, etc. as required by your purchase agreement or mortgage terms
- A driver's license or other government-issued ID for each borrower
- Addresses where each borrower has lived for the last 10 years
- Request a written bill of sale from the seller that transfers ownership of any personal property items, like appliances, to you. This should be included in the sale for insurance and warranty purposes. Ask for the warranties prior to taking ownership
- Secure a cashier's check or money order for the exact amount shown on the closing disclosure, made payable to you. You will endorse it over to the title company at closing
- Contact all utility companies (electric, gas, internet, cable, trash services, etc.) to apply for services and make required deposits
- Notify the post office of your new address to have your mail forwarded
- Arrange a time with your real estate agent or the seller for a final home walk-through

The closing will likely occur during business hours, so plan work schedules accordingly.

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SIGN & CELEBRATE This is the day you officially buy your home. Your lender will send the loan funds, and everything gets finalized so you can get the keys and start moving. Your real estate agent or lender may choose to attend. Once the documents are signed, the seller will then provide the keys, and the title company will hand over copies of the deed, mortgage, and other essential documents.

Important Documents: At the closing, two important documents will be filed with the county where the home is located.



Warranty Deed: A legal document transferring property ownership from the seller to the buyer at closing.



Mortgage: A legal document the buyer signs at closing to grant Frandsen Bank & Trust a security interest in the property as collateral for the loan.

The title company will file the deed and mortgage with the county. You will receive a payment letter with instructions on making monthly payments. You may also receive bills for items if the loan agreement includes escrow for taxes and/or insurance. These will not be paid directly; duplicated bills will be delivered to your mortgage servicer to pay out of the homeowner's escrow account.



Once you take ownership of the property,
don't forget to apply for your state
homestead tax credit.

Congratulations, you made it! You've completed all the key steps in the homebuying journey, and now it's time to settle into your new home. At Frandsen Bank & Trust, we're proud to be partners in this exciting milestone, and we will continue to be here for whatever comes next.



HOMEBUYER NOTES

FRANDSEN BANK & TRUST

Member FDIC



Ready to Take the Next Steps?

Get started today by scanning the QR code
or visiting us at FrandsenBank.com.

*Financing available in Minnesota, Wisconsin, North Dakota,
South Dakota, Iowa, Colorado, Arizona, California, Florida.*