



7 Easy Steps To Your New Home

FRANDSEN BANK & TRUST



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**Real People.
Real Results.**



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NMLS 718070



1 The First Step

AVERAGE
TIME
1 - HOUR

Pre-qualification stage can be completed with your local mortgage lender, and this should be done before you begin searching for houses. Frandsen lenders will help prospective homebuyers determine how much they can afford. This process can develop a reasonable housing budget and highlight potential credit issues that might be problematic.

Prequalification

is an informal process where the prospective homebuyer and mortgage lender review financial information. The primary purpose is to generate an idea of how much you can afford. This process can generally be done on the spot. Make sure to provide enough details to depict your financial condition accurately. Pre-qualification is not binding on the bank because the information is not verified; thus, the prospective home-buyer will not benefit from inaccurately disclosing personal information.

Credit report

As part of your loan underwriting, the bank will purchase a credit report, which is a detailed account of your credit history (amounts of past and present loans and revolving accounts, payment history, and any delinquencies, bankruptcies, or foreclosures). You will be charged for this as part of your closing costs.

USEFUL INFORMATION TO HAVE AVAILABLE

- Full name (including former names), address, Social Security number, and driver's license or other government-issued ID for each borrower
- Pay stubs for the last 30 days and W-2 statements and/or 1099s for the last two years for each borrower
- If self-employed or receiving rental or sales income, copies of complete personal and corporate federal tax returns for the last two years
- Current statements with account numbers for all other income (government benefits, investment income, pensions, etc.)
- Copies of court orders and current statements regarding receipt or payment of alimony, child support, or other legal obligation
- Statements with account numbers for the past two months for all bank and investment accounts and all other financial resources
- Current values of all your major assets—real estate, bank and investment accounts, stocks/bonds, vehicles, business assets, valuable collectibles, etc.
- If you are receiving a gift to help with purchasing a home, a letter, provided by the bank, to be signed by you and your benefactor(s) stating the amount of the gift and certifying that it is a gift and not a loan
- If selling your current home, written documentation regarding your net proceeds from the sale
- Current statements with accounts for all mortgages, personal and student loans, credit cards, auto loans, business loans, contracts for deed, etc.
- Property tax statements, county valuation statements, and insurance declaration pages for all real estate owned
- Adequate documentation regarding the value of any additional assets (stocks/bonds, business assets, personal property, etc.)
- If renting, name and address of landlord(s) for the past year
- A copy of school diploma or transcript (if you have been employed less than two years and were in school before that)

2 Loan Application

AVERAGE
TIME
2-5 DAYS

It is recommended to complete your loan application once the purchase agreement is signed. You can do this in person at your local Frandsen Bank & Trust office, through the mail by contacting your Frandsen banker, or online at frandsen.mymortgage-online.com.

Locking or floating your interest rate

Depending on the purchase agreement, this may be discussed at the time of sale. Homebuyers can choose to lock their interest rate on a specific date or float until a specified date later in the process. Furthermore, if rates are expected to rise, the buyer will want to lock in the interest rate as soon as possible. When rates are supposed to decrease, float the rate as long as the market allows.

What you'll need

- Talk to your Frandsen banker about when to lock your rate
- To avoid delays in your closing date, it is a good idea to lock your rate at least 10 days before closing

Which mortgage to apply for?

Your loan officer will work with you to choose a loan program that is best for you from a wide range of options:

FIXED-RATE CONVENTIONAL Down payments as low as 3% (income limits apply for lower down payments)

ARM Adjustable-rate mortgage

VA Low or no down payment (veterans eligibility requirements apply)

USDA RURAL DEVELOPMENT No down payment (income limits apply)

MINNESOTA HOUSING Down payment and closing cost assistance (income limits apply)



3 Purchase Agreement

AVERAGE
TIME
3-10 DAYS

At this point in the process, you should have selected a home within your price range. This begins with a written offer via a legal document called a purchase agreement. The process can be executed through real estate agents and real estate attorneys, who will draft the document and present it to the seller on your behalf. What does the purchase agreement include? The purchase agreement outlines the price and notable details of the sale, including whether or not the buyer plans to retain their own inspector to analyze the property. Purchase agreements should also specify a targeted closing date (generally several weeks later) and when you will pay and take ownership of the house. Buyers must accompany the purchase agreement with an earnest money payment (Approximately one percent of the purchase price). Your real estate agent or attorney is responsible for depositing the earnest money payment into a trust account, which will be held and applied to the buyer's closing costs. Once the buyers and sellers sign the purchase agreement, the contract is now legally binding. If the contract is not fulfilled on the buyer's end, the earnest money payment could be forfeited.

What you'll need

- Names and addresses of all buyers and sellers and spouses
- Address, legal description, and tax parcel ID number for the property (provided by the seller)
- List of personal property items (appliances, etc.) to be included in the sale
- Dollar amounts of the purchase price, earnest money, down payment, and new mortgage
- Check for earnest money (ask your agent or attorney to whom this should be made payable)

AVERAGE
TIME
1-5 DAYS

About Home Inspection

Home inspections are completed to identify potential issues with the interior and exterior of the property. This process allows homebuyers to make calculated decisions based on the disclosed information. If the buyer opts for a private inspection, the purchase agreement will include a timeline for when it must occur.

What you'll need

- If you opted for a private inspection, it is your responsibility to select and retain your own inspector, who can be a professional or a competent person you know
- You must coordinate a time with the seller when the inspector can visit the property
- You will pay for the inspection from your own funds
- When completed, you will need to sign a document stating either that you are satisfied with the results of the inspection, or listing items that you want the seller to fix

Homeowners Insurance (HOI)

- Homeowners insurance protects the consumer in situations where the home is damaged, or personal property is lost.



4 Loan Processing/ Underwriting

AVERAGE
TIME
1-4 WEEKS

This particular process is comprised of several components: Appraisal, title search, disclosures, and additional requirements that vary based on the type of property and mortgage the buyer applied for. Important reminder, loan processing involves the services of third-party vendors, and unexpected delays can occur. Banks do not have control over that particular factor.

What you'll need

- You may be asked to provide additional financial information—the quicker you supply it, the smoother your process will be
- The seller will need to provide access to the home for an appraiser and possibly other inspectors
- The seller may be asked to provide an abstract of title to the property

Appraisal: The bank will also purchase an appraisal of the property. An appraisal is a written estimate examining the true market value of the house you plan on purchasing. The appraisal will be prepared by a licensed appraiser that will review the property's interior and exterior while also analyzing recent sales prices for similar properties in the area. This will help generate an estimate for the fair market value. Home-buyers 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: Depending on the situation, the title search will be in conjunction with the title insurance policy. The title search will disclose all recorded documents at the county courthouse that pertain to the property. This will either be reviewed by the title insurance company or attorney. Copies of the title search/title opinion can be provided to the homebuyers. Buyers will be charged for this procedure. See the next page for more information about title insurance.

5 Preparing for the Closing

AVERAGE
TIME
1-2 WEEKS

The closing process will typically occur at the office of a title company of the homebuyer's choice. If the homebuyer does not prefer 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 the buyer or real estate agent to arrange a date/time for the closing. Approximately three days before the closing date, the lender will send you a closing disclosure detailing the final costs.

What you'll need

- Copy of your new homeowners insurance policy showing Frandsen Bank & Trust as mortgagee, along with a receipt showing payment for one year (have your agent fax or mail these directly to your Frandsen lender)
- Copy of your flood insurance policy and paid receipt if the property is located in a flood zone
- Copies of the private septic inspection, water test, survey, or Certificate of Occupancy if required by local government authorities or the terms of your mortgage or purchase agreement
- Contact all utility companies (electric, gas, phone, Internet, cable TV, trash service, etc.) to apply for service and make required deposits
- Notify the Post Office of your new address
- Arrange a time with your real estate agent or the seller for a final walk-through of the home
- The closing will likely occur during business hours so plan work schedules accordingly

About title insurance:

FB&T requires homebuyers to purchase title insurance for the bank. Furthermore, the buyer will also have an opportunity to purchase owner's insurance. Frandsen recommends owners' insurance to protect the buyer from unexpected events. What is a title insurance policy? The policy ensures that the title to the home will go 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 the buyers. What is owner's title insurance? Owner's title insurance will personally cover the buyer from claims against the title. Owners' title insurance can be more affordable when the policy is purchased at closing. When the buyer declines to purchase the policy at closing, it can be more expensive to purchase later.



6 Closing Day

This process involves paying for the house with the loan proceeds. The home-buyers real estate agent or lender may choose to attend. Home-buyers also have the option of including their attorney. Attorney fees can not be applied toward the final closing cost. When the loan agreement includes escrows for taxes and/or insurance, an escrow account will be created at closing. The seller will then provide the keys, and the title company will hand over copies of the deed, mortgage, and other essential documents.

What you'll need

- Final walk-through of the home just before closing
- Cashier's check or money order for the exact amount shown on the Closing Disclosure, made payable to yourself (you will endorse it over to the title company at closing)
- Driver's license or other government-issued ID for each borrower
- Addresses where each borrower has lived for the last 10 years
- Remember to get a written bill of sale from the seller transferring ownership to you of any personal property items (appliances, etc.) included in the sale, for insurance and warranty purposes
- Be sure to ask the seller for copies of any warranties on the home, appliances, and mechanical fixtures

AVERAGE
TIME
1-2 HOURS

Important Documents

At the closing, two important documents will be signed and subsequently filed with the county where the home is located:

WARRANTY DEED: A legal document that the seller signs at closing conveying title to the real estate into your name

MORTGAGE: A legal document that you sign at closing granting a security interest in the real estate to Frandsen Bank & Trust as collateral for your loan



7 After the Closing

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

Important final step

- Don't forget to apply for your state homestead tax credit as soon as possible

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