



7 Easy Steps To Your New Home



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1 The First Step

Getting prequalified or preapproved by your bank is essential before you start looking at houses. A Frandsen lender can help you determine how much you can afford so you don't waste your time looking at houses that you ultimately will not be able to purchase. This step can also provide an early alert to any credit problems that need to be addressed. Prequalification and preapproval are two different services that Frandsen Bank & Trust can provide:

Prequalification is an informal process where you meet with one of our lenders and go over your financial picture. The lender will help you determine how much you will be able to borrow based on the information you provide. We will usually do this on the spot. You do not necessarily need to document the information—just provide enough detail to accurately depict your true financial condition. Prequalification is not binding on the bank because none of your information will be verified; thus there is no advantage for you when making an offer on a house—but it will give you an idea of how much house you can afford.

What you'll need

- Your current income—wages, business income, alimony, child support, government or disability benefits, income from sales or investments, retirement income, Social Security
- Current values of all your major assets—real estate, bank and investment accounts, stocks/bonds, vehicles, business assets, valuable collectibles, etc.
- Current balances and monthly payments on all debts—mortgages, personal and student loans, credit cards, auto loans, business loans, alimony or child support payable



Preapproval is a much more formal process that follows the same path as a mortgage application except there is no house selected at this point. You will provide proof of income along with account numbers for assets and liabilities. The bank will review this data and will pull a credit report for each proposed borrower. Preapproval takes longer, but is worth the extra time because it can give you a definite advantage when negotiating with a seller. It can also save a lot of precious time later when your mortgage is being processed. Preapproval is subject to verification of all data and final loan approval.

AVERAGE
TIME
2-3 WEEKS

AVERAGE
TIME
1 HOUR

What you'll need

- 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
- 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 Purchase Agreement

By now you have selected a home within your price range and are ready to start the home-buying process. This begins with a written offer via a legal document called a purchase agreement. In most cases you will do this through a real estate agent or a real estate attorney, who will draft the document for you and present it to the seller on your behalf. The purchase agreement spells out the price and other details of the sale, including whether or not you wish to retain your own inspector to conduct an inspection of the property. It will also specify a target closing date, usually several weeks later, when you will actually pay for and take ownership of the house. You must accompany the purchase agreement with an earnest money payment (typically about 1 percent of the purchase price). Your real estate agent or attorney will deposit your earnest money check into a trust account and hold the money until the closing day, when it will be applied to your closing costs. Once the purchase agreement is signed by all buyers and sellers, it is legally binding and you could forfeit your earnest money if you do not go through with the transaction.

AVERAGE
TIME
3-10 DAYS

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)

About home inspection. This is an optional step that you elect or waive on your purchase agreement. While the appraiser will look closely at the property and will point out conditions that affect the fair market value, an appraisal does not constitute a comprehensive inspection of the structure and fixtures. If you opt for a private inspection, your purchase agreement will spell out a timeline for when that needs to take place.

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

AVERAGE
TIME
1-5 DAYS

3 Loan Application

You should make your loan application immediately 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. If you already went through the preapproval process, this step will be a breeze. (Note that for some loans there will be an application fee.)

What you'll need

- Copies of the earnest money check and signed purchase agreement
- Loan application form—available from your Frandsen banker or online at frandsen.mymortgage-online.com
- If required, check for loan application fee payable to Frandsen Bank & Trust
- If you did not get preapproved, you will need to provide all items listed under Step 1 Preapproval
- If you were preapproved and more than 30 days have elapsed, you will need to provide current pay stubs and financial statements

Locking or floating your interest rate. You make this choice at the time you submit your written loan application (but keep in mind that some purchase agreements may ask for this choice at the time of sale). You can choose to lock your interest rate on a specific date or float it until a later date in the process. In general, if rates are expected to rise in the near term, you will want to lock your rate right away; if rates are expected to go down, you will want to float your rate as long as you can.

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)

AVERAGE
TIME
2-5 DAYS

4 Loan Processing/ Underwriting

This step is comprised of several components—a credit report, appraisal, and title search, as well as additional requirements depending on the type of property and the type of mortgage you apply for. Within three days of receiving all the required documents, we will give you a Loan Estimate showing the type of mortgage we are processing for you, your proposed interest rate, whether it is locked or floated, an estimate of how much money you will need at closing, and other details. Keep in mind that processing a loan involves the services of outside vendors, and delays can occur over which the bank has little control.



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.

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, which is a written estimate of the market value of the house you are buying. It will be prepared by a licensed appraiser, who will view the property inside and out and will analyze recent sales prices for similar properties in the area to arrive at an estimate of fair market value. Again, you will be charged for this as part of your closing costs, and you will receive a copy of the appraisal.

Title search. The bank will purchase a title search of the property you are buying. In most cases this will be in conjunction with a title insurance policy, although occasionally it will be with an attorney's title opinion. The title insurance company or attorney will usually examine the abstract of title to the property, which is a written history of all documents recorded at the county courthouse pertaining to the property, and will issue a written title report. You will be charged for this as part of your closing costs, and you will receive a copy of the title insurance commitment or title opinion. See the next page for more information about title insurance.

5 Preparing for the Closing

Your closing will likely take place at the office of a title company of your choice. If you do not have a preference for a title company, the bank can suggest one for you. The bank will send documentation to the title company to get the process started, and the title company will contact you or your real estate agent to arrange a date and time for the closing. No less than three days before the closing date, the lender will send you a Closing Disclosure detailing your closing costs and showing the exact amount of money you will need to bring to closing.



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. As a condition of your new loan, you will be required to purchase lender's title insurance for the bank. In addition, you will have the opportunity to purchase owner's title insurance for yourself at the same time. We highly recommend that you do so. A title insurance policy insures that the title to the home will go into your name on the closing date free and clear of liens and claims. The required lender's title insurance only covers the bank's interest in the property, not yours, which means it becomes effective only if the bank forecloses on the property. With an owner's title insurance policy, you will be personally covered for claims against the title. If you buy an owner's policy at the time of closing, it is quite affordable. If you decline to purchase owner's title insurance at closing, it will cost you several hundred dollars to purchase it later—and it will be too late if an extraneous claim has already been made.

6 Closing Day

This is when you will pay for the house with your loan proceeds, take title via a warranty deed, and sign your mortgage document. Your real estate agent will probably attend the closing, and your lender may choose to attend as well. You have the right to bring your attorney to the closing but if you choose to do that you will have to pay for it from your own funds. If your loan agreement includes escrows for taxes and/or insurance, an escrow account will be established for you at closing. The seller will turn the keys over to you at closing. The title company will give you copies of your deed, mortgage, and other 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 your original deed and mortgage with the county. You will receive a payment letter with instructions about how to make your monthly payments. If your loan agreement includes escrows for taxes and/or insurance, you may still receive bills for those items but you will not pay them directly; duplicate bills will be sent to your mortgage servicer for payment out of your escrow account.

Important final step

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

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