



MORTGAGE QUICK-REFERENCE GUIDE

You've found your dream home. Now it's time to finance it!
This guide was developed to give you an overview of the loan process and some helpful tools to keep you organized from pre-application to closing day.



WHAT'S INSIDE?

Mortgage basics | Borrower's checklist | Credit score tips | And more!

THE MORTGAGE LOAN PROCESS

Whether you're a first-time buyer or just need a refresher, here's a brief overview of what you can expect when you apply for a home loan.



Step 1: Speak with a loan officer

Your loan officer is someone you will be working with throughout the homebuying process. He or she will ask you about your budget and basic financial information, then explain the different loan options available so you can choose the best one for your situation.



Step 2: Get prequalified

You can usually submit your information online or by phone to get prequalified. Have your most recent paystubs and bank statements on hand and visit

[HomeAmericanMortgage.com/Prequalify](https://www.homeamericanmortgage.com/prequalify). Soon after you submit your information, you will receive a loan estimate of the anticipated closing costs.



Step 3: Processing your loan

You will need to provide bank statements, pay stubs and other documentation to verify the information you provided on your initial application. **See page 4 for a checklist!**



Step 4: The commitment letter

If your loan is conditionally approved, you will receive a commitment letter, which sets out many of the key terms of the loan, the length of time for which those terms are offered, and any other items necessary to finalize the loan.



Step 5: Final approval

Once all items necessary to finalize the loan are received—including, for example, the property appraisal—your loan officer will let you know that you are ready for closing.



Step 6: Closing

Prior to your closing date, you will receive a closing disclosure which summarizes the costs and fees associated with the transaction and the amount of money you need to bring to the closing table.

CALL HOMEAMERICAN MORTGAGE CORPORATION TO GET STARTED

We work with Richmond American homebuyers every day—and have been since 1983! That means we're thoroughly familiar with the processes and the people involved in your home's construction and can deliver a streamlined financing experience. **Call 866.400.7126.**

KNOW YOUR LOANS

Did you know that there are different types of mortgages? Your loan officer will walk you through your options, but here's a brief overview to give you an idea of what's available.

Your best resource for loan shopping is your loan officer!

Call a loan officer at HomeAmerican Mortgage Corporation today to learn more: 866.400.7126

Start Here!



? Have you or your spouse ever served in the military?

Yes



Ask about VA loans!

- For qualifying military buyers and spouses
- No down payment
- Limited or no closing costs
- No monthly mortgage insurance

No



? Is the home you are buying in a rural area?

Yes



Ask about USDA loans!

- For eligible rural properties
- Low or no down payment
- Less-than-perfect credit ok
- No first-time homebuyer requirement

? Is your credit score at least 640 and are you a first-time homebuyer?



Yes



Ask about FHA loans!

- Attractive for first-time buyers
- Low down payment
- Flexible qualification
- Gift funds accepted

No

No



? Will your loan be less than \$548k (or less than \$822k in a designated high-cost area)?

Ask about conventional loans!

- Competitive rates
- Low down payments may be available
- No government guaranty
- No mortgage insurance required with 20% down payment



Yes

No



Ask about Jumbo loans!

- Larger loan amounts available
- Generally requires larger down payment
- No government guaranty
- Higher credit score needed

BORROWER'S CHECKLIST

If you gather these items in advance, you'll set yourself up for a smooth mortgage application process. Your loan officer may request additional documentation based on your individual circumstances; responding quickly will help keep everything on schedule!

Income:

- W-2s or 1099s for the previous two years for each borrower
- Paycheck stubs covering the most recent 30 days for each borrower
- Investment/retirement statements covering the most recent two months for all accounts
- Federal tax returns or 1040s for the most recent two years
- Disability, Social Security, or retirement pensions: copy of the awards letter or other documentation of income received from these sources, including evidence of continuance

Self-employed income:

- Schedule C of your tax returns for the previous two years if you are involved with a sole proprietorship
- K-1 Schedule of your tax returns for the previous two years if you have an interest in a limited partnership
- Partnership tax returns (IRS Form 1065) of your tax returns for the previous two years if you have a 25% or greater interest in a partnership
- Corporate tax returns (IRS Form 1130 or 1120) for the previous two years if you have a 25% or greater interest in a corporation, including S corporations
- Signed year-to-date profit and loss statements for your business

Account information:

- Bank account statements for the previous two months on all accounts listed on the application
- Gift letter if gift funds will be used for the down payment or closing costs
- Retirement account statements for the previous two months
- Bank account statements evidencing clearance of earnest money deposits

Miscellaneous:

- Divorce decree: copy of complete, final decree and any other applicable documents
- Child support or alimony: documentation showing 12 months of income received and evidence of 3 years's continuance
- Bankruptcy/discharge of debtors: copies of documents, including all schedules
- Relocation papers showing start date, pay and company buyout, if any
- Letters of explanation for recent credit inquiries or any negative credit entry
- Rental information from the last two years, including property address, dates of residence, landlord's name, address and phone number

Keep your credit MORTGAGE READY with these 8 tips

Changes to your credit score and financial situation before your loan's final approval could throw a wrench in an otherwise smooth process. Go to the next page for some ways to avoid that.



1 Check your credit reports.

Avoid surprises! Get a report from each of the three major credit bureaus for free at annualcreditreport.com, even if you think you have perfect credit.

Hey! Where's my credit score?

Because credit scoring formulas vary, your free credit reports won't include a credit score. You may be able to obtain FICO® Scores or VantageScores from the credit bureaus, but you might have to pay.

3 Pay bills on time.

The better your record for paying bills on time, the better your credit score.

PAY NOW

4 Keep old accounts open.

Closing old accounts can shorten your average account age and decrease your overall available credit—two things that can hurt your credit standing.

Caution!

Paying off an installment debt, like a car loan, could also backfire if it reduces your available credit and average account age more than it improves your debt load.

5 Avoid bankruptcy.

Filing for bankruptcy can lower your credit score more than almost anything else.

But wait, there's hope!

Already have a bankruptcy, foreclosure or short sale on your record? We have a guide to help you back on the path to homeownership: RichmondAmerican.com/HomeAgain

6 Maintain steady employment.

Lenders like to see 2 years of employment in the same line of work. Try to avoid switching jobs until after you've got the keys!

7 Don't apply for new credit cards or loans.

Just as closing old accounts can shorten your average account age, so can opening new accounts. Every point on your credit score counts when shopping for the best mortgage rates!

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8 Hold off on major purchases.

As tempting as it may be to buy new furniture for your new house, it's best to wait until you've closed on your loan. Even if you've been preapproved, last-minute changes to your credit history can derail your plans.

Want more credit score management tips, budget worksheets, savings strategies & more?

Get our free guide!
RichmondAmerican.com/CreditGuide

2 Dispute errors.

Credit reporting errors can happen to anyone. Dispute any duplicate accounts, typos, previously discharged debts, incorrect social security numbers or other mistakes you find.

Did you know?

The FTC found that about 1 in 4 surveyed consumers had at least one significant credit reporting error.



WHY CHOOSE HOMEAMERICAN MORTGAGE CORPORATION?

Our wide variety of loan options and competitive rates.

We're motivated to make your homebuying experience as positive as possible, so we offer a variety of tailored mortgage solutions to meet your needs:

- Conventional, FHA, VA and USDA loans
- Fixed and adjustable rates
- Jumbo and high-balance options
- An extended rate lock program
- And more!

One-stop shopping with our affiliate companies.

Did you know you can buy, finance and insure your home, all with the same talented team? Our family of affiliates works together to provide a complete range of home services. Use as many or as few as you'd like!

- Richmond American Homes
- HomeAmerican Mortgage Corporation
- American Home Insurance Agency
- American Home Title and Escrow Company

Financial stability.

With over 35 years of experience to our credit, we've weathered more than a few ups and downs in the real estate market. Through it all, we've remained strong and committed to serving our clients and their best interests.

MORTGAGE GLOSSARY

There's a lot of jargon used in the mortgage industry. Here are a few of the terms and abbreviations you may encounter.

ADJUSTABLE-RATE MORTGAGE (ARM): A home loan with an interest rate that periodically adjusts to match market conditions. Traditional ARM loans adjust at fixed intervals (such as every 12 months). Hybrid ARM loans initially have a fixed rate for a number of years, and then adjust at regular intervals after that.

AMORTIZATION: The process of paying down a loan by making regular payments over time. An amortization schedule is a table showing mortgage payments over time, broken down by principal, interest, tax and insurance amounts.

ANNUAL PERCENTAGE RATE (APR): This is the total cost of the loan per year, including interest, points and other discounts, fees and closing costs.

CLOSING: Closing is the last step in the homebuying process. Once all agreements between the buyer and seller have been finalized and any necessary funds transferred, ownership of the property transfers to the buyer.

CLOSING COSTS (SETTLEMENT COSTS): One-time expenses charged in connection with a home purchase (e.g. loan origination fees, discount points, appraisal fees, title search fees, title insurance premiums, survey fees, transfer taxes, recording fees and credit report charges).

COMMITMENT LETTER: A document provided by your lender which states the mortgage amount, terms, length, type and interest rate, and pledges the agreed-upon funds if all requirements (such as proof of insurance) are fulfilled.

CONTINGENCY: A condition of contract that determines whether or not the home sale will proceed. Examples of contingencies include mortgage or insurance approval, sale of the buyer's previous home, and appraised value.

CONVENTIONAL CONFORMING LOAN: A mortgage loan that conforms to Fannie Mae and Freddie Mac's loan limits and other purchasing criteria.

DEPARTMENT OF VETERANS AFFAIRS (VA):

This department of the federal government manages benefits for active-duty and veteran members of the Armed Forces and their families. One popular benefit is the VA home loan program, which insures mortgages for military buyers.

DOWN PAYMENT: Money paid by the buyer to the seller toward the purchase of a home. The down payment is typically combined with a home loan to fulfill the total purchase price of the home.

EARNEST MONEY: A deposit paid to the seller at time of contract to demonstrate the buyer's good faith. The funds are typically held in escrow and applied toward closing costs or the down payment. These funds may or may not be refunded in the event that the transaction is canceled.

EQUITY: A home's equity is essentially its value, minus the debts against it.

ESCROW: Money held by a third party until all the terms of a transaction are complete.

FEDERAL HOUSING ADMINISTRATION (FHA): Part of the Department of Housing and Urban Development (HUD). FHA-insured loans reduce the risk to private lenders, allowing them to offer mortgages to a wider range of buyers.

FIXED-RATE MORTGAGE (FRM): A home loan with an interest rate that does not change during the life of the loan.

HAZARD INSURANCE: Coverage that insures your property against damage or loss due to storm, fire, earthquake or other catastrophic events. This coverage is generally included within a homeowners insurance policy.

HOMEOWNERS INSURANCE (HOI): An insurance policy that covers your house, contents, personal liability and medical payments exposures. Most mortgage lenders require homeowners to maintain homeowners insurance as a loan condition.

INTEREST RATE: The amount of money a lender charges for a loan, typically expressed as a percentage of the principal.

LENDER FEES: Fees charged by the mortgage lender in connection with obtaining a loan. A few examples would be charges for appraisals, credit reports, loan origination and underwriting.

LOAN ESTIMATE: A document provided by your lender which details your estimated interest rate, monthly payment and closing costs. If applicable, it should also describe how your interest rate and monthly payments may change over time, and alert you to prepayment penalties, the potential for negative amortization and other important information.

MORTGAGE: A legal agreement through which real property is pledged as collateral for repayment of a loan.

MORTGAGE INSURANCE: Required for certain loan types, mortgage insurance protects the lender against default. Mortgage insurance premiums may be paid as an upfront or monthly fee.

MORTGAGE PREQUALIFICATION: A non-binding preliminary review of an applicant's creditworthiness and estimated borrowing potential. Prequalification is typically used early in the house-hunting process to determine a buyer's desired price range.

ORIGINATION FEE: The mortgage lender's fees for processing, underwriting and closing a loan.

PITI (PRINCIPAL, INTEREST, TAXES AND INSURANCE): The main costs included in a home's monthly mortgage payment estimate.

PMI (PRIVATE MORTGAGE INSURANCE): Insurance that protects a lender against default by the borrower. It's paid by the borrower and typically required when the buyer's down payment is less than 20%.

POINTS (DISCOUNT POINTS): An upfront fee, paid to your lender, which lowers your mortgage interest rate. One point = 1% of the loan amount.

PRINCIPAL: The amount owed on a home loan, not including interest.

RATE LOCK: A buyer typically has sixty days to close a loan after "locking in" a mortgage rate with a lender. Within that period, the buyer will enjoy the agreed-upon rate regardless of changes in market interest rates. Extended rate lock programs can lengthen the lock-in period to up to 350 days.

TITLE: Legal ownership of, and rights to use, a piece of property (in this case, a home).

TITLE INSURANCE: A one-time fee (required by some lenders) that protects the homeowner and lender from financial loss due to demands that may be charged against the title to the home, up to the amount of the title policy.

TITLE SEARCH: The process of researching a property's records to discover existing liens, title faults, errors or other problems that may prevent a home's closing. There is typically a fee associated with this service.

UNDERWRITER: A mortgage underwriter is responsible for determining whether a borrower qualifies for a particular loan.

UNITED STATES DEPARTMENT OF AGRICULTURE (USDA): A federal agency which promotes agriculture, natural resource management and rural development. USDA-backed home loans increase loan availability in eligible areas by reducing risk to lenders in those markets.

Sources: Consumer Financial Protection Bureau (consumerfinance.gov); American Home Title and Escrow Company (ahteco.com); Investopedia (investopedia.com).



ABOUT OUR COMPANIES



Richmond American Homes companies have been building new homes for families since 1977. Our calling cards? Quality craftsmanship, timeless value and a personalized homebuying experience from start to finish. We understand your home is one of the most important purchases of your life and we want to get it right. Whether you're deciding on your neighborhood, your floor plan or your bathroom tile, it's the personal touches that make the difference. And that's what Richmond American is all about. *With us, it's personal.™*

Our New Home Specialists are standing by to help you kick off your home search. They have the information you need to compare communities and floor plans across your area. Want to know what your commute will really be like? Curious if there's shopping nearby? Your dedicated New Home Specialist has the answers a local would know.

Call **888.500.7060** or visit **RichmondAmerican.com** to get started today.



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At American Home Title, we understand what your home means to you and we want to help you protect it. Our staff of dedicated professionals will take the time to guide you through the process to protect against adverse title claims and risks that may not surface until long after your settlement. Call us at **855.248.4853** or visit **AHTECO.com** for more information. Services are available in Colorado, Florida, Maryland, Nevada and Virginia.



HomeAmerican Mortgage Corporation has been a proud affiliate of the Richmond American Homes companies since 1983. We are dedicated to providing a tailored financing experience for every customer. As a full-service lender, HomeAmerican can help you sort through the lending lingo and uncover your personal buying power. We would be happy to look at your personal finances and present you with mortgage solutions designed to meet your needs.

Our experienced loan officers are available to answer any questions you may have regarding financing your new home, or refinancing your existing home. Call us today at **866.400.7126** or visit **HomeAmericanMortgage.com**.



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