

HOMEBUYER'S *Mortgage Guide*



HELPFUL INFORMATION TO GUIDE YOU THROUGH THE MORTGAGE PROCESS

CALL YOUR TODAY
BRIAN CROFT
NMLS#

WINTRUST
MORTGAGE

COUNT ON WINTRUST MORTGAGE

Expertise

Wintrust Mortgage is a part of Wintrust Financial Corporation, a multi-billion dollar financial services holding company. This strength lets us offer you competitive rates and financing in all 50 states.

Flexibility

Our nationwide reach gives you access to flexible programs and loan solutions, including:

- Fast pre-qualification
- First-time buyer programs
- Down payment assistance
- Special grants
- In-house processing, underwriting, closing and servicing
- WintrustZoom®—our complete digital mortgage tool

Helpful Service

As you benefit from our expertise, you'll appreciate our neighborly style. Think of your loan originator as your friendly guide—honest, communicative and available—ready to help navigate today's market and find the right mortgage for you.



WHAT IS IN A MORTGAGE?

TAKE A WALK THROUGH THIS BREAKDOWN OF TYPICAL MONTHLY PAYMENTS

PRINCIPAL

This is amount of money borrowed. Each month when paying your mortgage, a portion of the principal is being paid back. Over the life of the loan, the portion going to principal will increase while the portion going toward interest will decrease.

INTEREST

The interest in a home mortgage is your cost of borrowing the principal.

PROPERTY TAXES

Taxes are paid to local governments. Lenders may collect monthly payments in an escrow account. The lender will use the funds to pay the property taxes when they are due, or you may be able to make tax payments on your own.

HOMEOWNERS INSURANCE

Also known as hazard insurance, it protects homeowners against unexpected events that affect the home.

MORTGAGE INSURANCE

This is an insurance policy that pays mortgage lenders if a borrower fails to repay a loan. If a homeowner has a down payment of 20% or less, then the homeowner would be required to pay mortgage insurance (also known as PMI) in their monthly mortgage payment.

ASSESSMENTS/HOMEOWNER ASSOCIATION (HOA)

These fees are charged for the general upkeep of common areas, along with amenities, in condominiums and townhomes. They are not bundled into the mortgage payment and must be paid to the homeowners association directly.



START OFF RIGHT. PRE-QUALIFY.

BEFORE YOU SEARCH FOR A HOME, WINTRUST MORTGAGE CAN HELP

IT STARTS ONLINE

Pre-qualification is a great way to start your home buying process. It helps set expectations of how much money you will be able to borrow. Keep in mind that a pre-qualification is not a full application, it is only an estimation.

DETERMINE HOW MUCH HOME YOU CAN AFFORD

Pre-qualification helps you understand how much you can comfortably afford to spend on a home. It works to pinpoint your budget and focus your property search.

SEE WHAT YOUR DOWN PAYMENT WILL BE

You'll know approximately how much money you'll need for your down payment and closing costs.

KNOW WHAT YOUR MONTHLY PAYMENT WILL BE

You'll also have a general idea of your monthly principal, interest, taxes and insurance payment. With the wide variety of loan programs available, it's helpful to know which types you qualify for and which program will best suit your needs.

Once you are pre-qualified you will receive a Pre-Qualification Letter to give to your real estate agent. Then you can start looking for your home!

BUYING A HOME

AFTER YOU FIND THE HOME YOU WANT, HERE'S HOW THE LOAN PROCESS WORKS

APPLICATION

Once all parties have signed off on the purchase price and terms, you will have a contract, which becomes the foundation of the new mortgage.

This is the time to talk to your Wintrust Mortgage expert and apply for your loan.

Within three business days after application, you will receive a Loan Estimate, which explains the costs and risks of the mortgage.

RATE LOCK

You may choose to lock your rate at the time of application, or you may float your loan and lock your rate at a later time. The closing date on the purchase contract will help us to determine the best time to lock your rate.

APPROVAL

This takes place after you sign your application and before you close your loan with Wintrust Mortgage. It includes:

Appraisal – Wintrust Mortgage will order an appraisal on the property to be sure that you are paying fair market value. This is a professional opinion of the property's value and is necessary to close your loan.

Title and Escrow - Real estate attorneys will typically research your home's legal standing, then forward the findings to Wintrust Mortgage for the closing package.

Underwriting - Each loan will be sent to an underwriter who reviews the application, supporting documentation, financial information, sales contract, appraisal and title to ensure all necessary criteria and regulations are met.

CLEAR TO CLOSE

At least three business days before closing, you will receive a Closing Disclosure, which explains the costs of the transaction. On closing day, you will sign the final closing documents with a title company.

Your first mortgage payment usually will not start until the second first of the month past the closing date.

TYPES OF LOANS

GET TO KNOW DIFFERENT LOAN PROGRAMS

FIXED RATE MORTGAGE

For this loan, the interest rate remains fixed for the life of the loan, and the principal and interest payments remain consistent.

ADJUSTABLE RATE MORTGAGE (ARM)

This type of loan has an interest rate that is fixed for a specified term then adjusts periodically, based on changes in a pre-selected index.

GOVERNMENT-INSURED LOANS

Parameters for obtaining these loans may require mortgage insurance. Three agencies back these loans: Federal Housing Administration (FHA), the U.S. Department of Agriculture (USDA) and the U.S. Department of Veterans Affairs (VA).

CONVENTIONAL LOAN

The most common type of loan, a conventional loan is not part of a special government-insured program, like FHA, USDA or VA.

CONFORMING AND NON-CONFORMING LOANS

Both are conventional loans. A conforming loan is smaller than the limit set by the Federal Housing Finance Agency (FHFA), and meets guidelines set by Fannie Mae and Freddie Mac. Conversely, a nonconforming loan (like a Jumbo loan) is more than the FHFA limit and doesn't meet the guidelines.



THINGS TO AVOID DURING THE MORTGAGE PROCESS

FOLLOW THESE TIPS TO SMOOTH YOUR PATH TO HOMEOWNERSHIP

AVOID CHANGING JOBS

Changing jobs before or during the loan process can create a problem qualifying you for a loan, particularly if that job is in a different line of work or at a lower rate of pay than your current job. Many loan programs require you to have a two-year work history.

AVOID MAKING MAJOR PURCHASES

A large purchase may impact your debt-to-income ratio and your ability to qualify for a mortgage. Incurring a new large monthly payment can actually decrease the loan amount you could qualify for or the loan products available to you.

AVOID CREDIT SCORE INQUIRIES

Multiple credit inquiries in a short time period may have a negative impact on your credit score. Since interest rates and good credit scores are directly linked, it is in your best interest to wait to apply for credit for things like a big vacation, personal loan or new credit card.

AVOID SWITCHING BANKS OR MOVING MONEY BETWEEN ACCOUNTS

Funds for new accounts or large deposits will have to be explained, which can lengthen the verification process. If you are transferring money from investment or retirement accounts, make sure you keep the withdrawal/deposit receipts, and make sure you clearly show where you deposited the money.

Keep in mind, this list is not comprehensive.

Please consult a credit advisor for a full list of things to avoid.

MEET THE TEAM

GET TO KNOW THE KEY PLAYERS IN THE MORTGAGE PROCESS

APPRAISER

An individual who uses experience and comparable properties to determine the market value of a property.

BUYER’S AGENT

A real estate agent who works to negotiate the best terms and price for the buyer.

HOME INSPECTOR

A professional who inspects a property to ensure potential buyers know of any issues with the property’s structure, plumbing, electrical, heating and cooling, installation and interior, etc.

INSURANCE AGENT

A professional who assists buyers in obtaining homeowners insurance, a necessary step in obtaining a mortgage.

LISTING AGENT

A real estate agent who represents homeowners when trying to sell their home.

REAL ESTATE LAWYER

A legal professional who specializes in aspects of buying and selling real estate properties.

TITLE COMPANY

An independent agency that issues title-related documents without bias.

WINTRUST MORTGAGE LOAN ORIGINATOR

Our team member who works with you to set up the best loan structure to fit your needs.

BE PREPARED

USE THIS SIMPLE CHECKLIST TO KEEP TRACK OF YOUR NEEDS AND ACCOMPLISHMENTS

THESE ITEMS ARE TYPICALLY NEEDED TO PROCESS YOUR MORTGAGE APPLICATION:

- ☐ Contract for purchase
- ☐ Last 2 years' W2s & tax returns - all schedules
- ☐ Last 2 months' bank statements - all pages
- ☐ Last 30 days' pay stubs
- ☐ Business tax returns & KIs for 2 years (if self-employed)
- ☐ Real estate attorney’s phone number
- ☐ Real estate agent's phone number
- ☐ Insurance agent’s phone number

- NOTES/QUESTIONS -

GLOSSARY

OF MORTGAGE TERMS

AMORTIZATION: The gradual repayment of a mortgage loan by installments.

ANNUAL PERCENTAGE RATE (APR): The actual cost of a mortgage stated as a yearly rate including such items as interest, mortgage insurance and closing costs required by the lender and title company.

APPRAISED VALUE: An opinion of a property's fair market value based on an appraiser's knowledge, experience and analysis of the property.

APPRECIATION: An increase in the value of a property due to changes in market conditions or other causes. The opposite of "Depreciation."

CLOSING COSTS: Expenses (over and above the price of the property) incurred by buyers and sellers in transferring ownership of a property. Buyer's closing costs typically include fees for application, processing, underwriting, flood certification, transfer taxes (where applicable), title company, interest, tax and insurance escrows, and attorney.

CLOSING DISCLOSURE (CD): Explains the costs of the transaction. This document must be given to the consumer three days prior to closing, which ensures no surprises at the closing table.

CONVENTIONAL LOAN: These are loans that are sold to government sponsored enterprises, Fannie Mae and Freddie Mac. Conventional loans are not insured by any government program such as FHA, VA or USDA. Conventional loans are the most common type of mortgage.

DEBT-TO-INCOME RATIO (DTI): This is a personal finance measure that compares an individual's monthly debt payment to his or her gross monthly income.

DEPARTMENT OF VETERANS AFFAIRS (VA): VA loans are guaranteed by the U.S. Department of Veterans Affairs. VA loans are offered to eligible American veterans or their surviving spouses.

ESCROW ACCOUNT: An account into which deposits for real estate taxes and insurance (mortgage insurance, homeowners insurance and flood insurance as applicable) are made as

part of the monthly mortgage payment. The mortgage servicer pays the taxes and insurance out of the account when due. The consumer receives an annual escrow analysis stating all funds paid into and out of the account.

FEDERAL HOUSING ADMINISTRATION (FHA): FHA loans are designed for borrowers who are unable to make a large down payment. These loans are insured by the Federal Housing Administration.

HOMEOWNERS INSURANCE: This insurance, also known as hazard insurance, protects homeowners against unexpected events that affect your home. Replacement cost coverage ensures that your home will be fully rebuilt in case of a total loss.

LIABILITIES: A person's financial obligations. Liabilities include long-term and short-term debt, as well as any other amounts owed to others.

LOAN ESTIMATE (LE): This document is provided to consumers within three business days after a completed application is received. The LE provides important information including an estimated interest rate, monthly payment and closing costs for the loan.

LOAN APPLICATION: The loan application is a detailed form designed to provide information to originate your loan. Lenders use the application to evaluate whether or not they can give you a loan and if so, the amount of money they can lend you. The loan application form requests information such as bank account balances, employment and income information and liabilities.

LOAN-TO-VALUE (LTV) RATIO: The relationship between the principal balance of the mortgage and the appraised value of the property. For example, an \$80,000 mortgage on a home valued at \$100,000 has a LTV of 80% (\$80,000/\$100,000). The remaining \$20,000 is your down payment.

INTEREST RATE LOCK: A written agreement in which the lender guarantees a specified interest rate if a mortgage goes to closing within a set period of time.

MORTGAGE BANKER: An institution involved in the origination, processing, underwriting and funding of mortgage loans. A mortgage banker may or may not service the loans it originates and funds.

MORTGAGE INSURANCE: A policy that insures the lender against loss caused by a mortgagor's default. Mortgage insurance can be issued by a private company or by a government agency such as the Federal Housing Administration.

PRE-QUALIFICATION: The process of estimating how much money a prospective homebuyer will be able to borrow before they apply for a loan.

PORTFOLIO LOAN: A loan which is serviced by the lender that issued the money.

TITLE: A legal document evidencing a person's right to, or ownership of a property.

TITLE INSURANCE: Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property. Your lender will require that you purchase a lender's policy. The seller typically purchases an "Owner's Policy" for the buyer.

TRANSFER TAX: State or local tax payable when title passes from one owner to another.

UNDERWRITING: The process of final evaluation of a borrower's loan application to determine whether or not the application meets the lender's guidelines by assessing the borrower's ability to repay the loan based on an analysis of their credit, capacity and collateral.

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