



Mortgage Guide

Understanding the mortgage process before you buy.

Before you buy: understanding the mortgage process.

For many, owning a home is part of the American dream. For most homeowners, getting a mortgage is just one of the steps it takes to get there. In this guide, we'll cover:

- get to know your Loan Officers
- mortgage breakdown
- mortgage tips
- loan application checklist
- commonly asked questions
- types of loans





Cream City Mortgage

GET TO KNOW OUR TEAM

Blake Early has an extensive career in finance and mortgages. From the depths of the Chicago Board of Trade managing a multibillion dollar portfolio as a derivatives trader, to starting and selling a successful software company, Blake has seen it all. His unique experiences have helped shape the core values of Cream City Mortgage: Communication, speed, and creativity. Blake loves helping people accomplish their goals; whether they are a first-time homebuyer, or consolidating their debt, he is there to help.

Gustavo Alcantara is a seasoned mortgage consultant with over 15 years of helping home buyers achieve their dreams of home ownership. He understands that the mortgage industry is constantly changing. As a result, he takes great pride helping buyers understand the nuances of the business and making their experience with him as smooth as possible. If you are looking for guidance or a second opinion then look no further than Gustavo at Cream City Mortgage!

With a background in software and sales, John Olla joins Cream City Mortgage with an eagerness to help buyers fulfill their homeownership dreams. Growing up around real estate his whole life, John understands what quality customer service looks and feels like. Passionate to help others and devoted to his clients are a couple of his value adds.





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GET TO KNOW YOUR MORTGAGE BROKERAGE

At Cream City Mortgage, our mission is to provide our clients with the highest level of service and expertise in the mortgage industry. We are committed to delivering a personalized, white-glove experience that is tailored to each client's unique needs and goals. Cream City Mortgage is dedicated to making the mortgage process as smooth and stress-free as possible, while also being creative and innovative in finding the best solutions for our clients.

We believe that the mortgage process should be a positive and empowering experience for our clients, and we strive to make that a reality! From the initial consultation to the closing table, we are with our clients every step of the way and ensuring that all questions and concerns are addressed promptly and professionally. Speed to respond is the name of the game!

Cream City Mortgage is also committed to going above and beyond our clients' expectations. We take the time to develop a customized mortgage solution that fits their needs and budget - no two clients are alike! We will work closely with your Real Estate agent to ensure your offer is the strongest, and sellers are confident we will close on time!

Finally, we are dedicated to making the mortgage process as smooth and efficient as possible. We understand that buying or refinancing a home isn't always black and white. Our team of experienced professionals pride ourselves in being experts in the ever-changing mortgage landscape, and we use the latest technology and tools to ensure that everything is done quickly and accurately.

Give us a call and find out for yourself!



For most future homeowners, getting a mortgage is just one of the steps it takes to fulfill their dream. In this guide, we'll cover the mortgage basics, including loan types, mortgage lingo, the home buying process, and more.



A Simple Definition Of A Mortgage

First, what does the word “mortgage” even mean? A simple definition of a mortgage is a type of loan you can use to buy or refinance a home. Mortgages are a way to buy a home without having all the cash upfront.

Who Gets A Mortgage?

Most people who buy a home do so with a mortgage. A mortgage is a necessity if you can't pay the full cost of a home out of pocket. There are some cases where it makes sense to have a mortgage on your home even though you have the money to pay it off. For example, investors sometimes mortgage properties to free up funds for other investments.

To qualify for the loan, you must meet certain eligibility requirements. Therefore, a person who gets a mortgage will most likely be someone with a stable and reliable income, a debt-to-income ratio of less than 50% and a decent credit score (at least 580 for FHA loans or 620 for conventional loans).

How Does A Mortgage Loan Work?

When you get a mortgage, a lender gives you a set amount of money to buy the home. You agree to pay back your loan – with interest – over a period of time which is typically 15 or 30 years.

The interest rate is determined by many things: credit score, property type, self employment, and down payment to name a few. You can't control the current market rates, but you can have some control over how the lender views you as a borrower. The higher your credit score, the better.

The amount of money you can borrow will depend on what you can reasonably afford and also the fair market value of the home, which is determined by an appraisal. This is important because the lender cannot lend an amount higher than the appraised value of the home.



Did you know?

Over 62% of United States homes carry a mortgage.

Parties Involved In A Mortgage

There are three main parties involved in every mortgage transaction – a broker, a lender, and a borrower.

Mortgage Broker

A Mortgage Broker, like Cream City Mortgage, is an intermediary between the lender and the borrower. Our job is to find our clients the best rates and lowest closing costs.

Unlike a bank or a credit union, we only do mortgages, so we are the experts! We have extremely low overhead, and because of that we can pass on our savings to our clients.

Mortgage Lender

A Mortgage Lender, simply put, is the financial institution that will lend the money to you. They review the file and qualifications, and disburse the funds for the home on closing day. This is important. This is exciting!

Borrower

The borrower (you) is the individual or individuals seeking the loan to buy a home. You may be able to apply as the only borrower on a loan, or you may apply with a co-borrower. Adding more borrowers with income to your loan may allow you to qualify for a more expensive home.



The Mortgage Process: There are several steps you'll need to go through to become a homeowner.

Get Approved

It is a good idea to get a pre approval from your mortgage broker before you start looking for homes. Getting approved upfront can tell you exactly how much you'll qualify for so you don't waste time shopping for homes outside your budget.

It's very important to obtain a pre approval from a local, reputable company like Cream City Mortgage. Big box online shops offer false promotions and sellers are hesitant to accept offers from untrustworthy lenders.

Shop For Your Home And Make An Offer

Now, the fun part begins! Reconnect with your real estate agent and start seeing homes in your area. Your agent can help you find the right home, negotiate the price and handle all the paperwork and details.

Final Approval

Once your offer's been accepted, Cream City Mortgage will submit your file to the Underwriter. The Underwriter will verify all the details of the mortgage – including your income, employment and assets. They'll also need to verify the property details. This typically involves getting an appraisal to confirm the value and condition of the home. We will also help you choose a title company to check the title of the home and make sure there are no issues that would prevent the sale or cause problems later.

Closing Day!

Once your loan is fully approved, you'll meet with your Loan Officer from Cream City Mortgage and real estate agent, and title company to close your loan and take ownership of the home. At closing, you'll pay your down payment and closing costs.

Home Buying Process



Pre Approval

1

Meet with Realtor

2

Apply for the loan

3

Meet with Cream City to discuss financing options

Find the type of home you are looking for within your budget

Once you have an accepted offer, send it to us and provide us with any documents requested

Negotiate Purchase Price

4

Deposit Earnest Money

5

Disclosures

6

In a market well balanced, ask to negotiate the purchase price

A receipt of the EM is sent to your Loan Officer

The Loan Estimate is sent to you. It is a "Good Faith Estimate" with estimated costs

Appraisal

7

Underwriting

8

Loan Approval

9

We will order the appraisal on your behalf

An Underwriter will review your loan application

Once all information has been approved, your loan is "Clear to Close"

Closing Disclosures

10

Closing Documents

11

Money for Closing

12

We will provide the final Closing Disclosure

We send closing documents to the title company

We will contact you with final figures for closing

Final Closing Step

13

Bring a Cashiers check or wire the money for closing!

5 TIPS FOR

HOME BUYERS



TIP 1

Know your credit score and financials. We look at both during the pre approval process.

TIP 2

Get pre approved before shopping for houses. A pre approval letter will help you stay on budget and tells sellers you mean business.

TIP 3

Talk to your Loan Officer about different loan options such as Conventional, FHA, or VA loans.

TIP 4

If able, pay down credit card balances to at least 30% of the credit limit. This will help your credit score.

TIP 5

Have fun! This is an exciting time and we are thrilled to be a part of it with you!



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LOAN APPLICATION CHECKLIST

BELOW ARE SOME OF THE THINGS REQUIRED FROM YOU IN ORDER TO DETERMINE WHAT LOAN AMOUNT YOU QUALIFY FOR:

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- ✓ Drivers License or Identification Card
 - ✓ Social Security Number
 - ✓ Residential Address for Past 2 Years
 - ✓ Income Verification (Name and Address of Employer for Past 2 Years)
 - ✓ 2 Months of Pay Stubs and Bank Statements for Checking and Savings Account
 - ✓ W-2s for the Past 2 Years
 - ✓ If Self Employed, Profit + Loss Statements, and Tax Returns for Past 2 Years
 - ✓ Additional Income (Child Support Payments, Social Security Benefits, Etc.)
 - ✓ If Applying for a VA Loan, Certificate of Eligibility

After you submit your loan application, Cream City Mortgage will do an extensive check on your finances and credit record. If everything checks out, we will state an amount you are approved for. This “pre-approval” is good for 90 days. And then? You’re ready to shop for your home knowing just how high you can go for the right place.

The Mortgage Types

Choosing the right mortgage loan is very important. Don't worry - this is what we live and breathe. You're in great hands!

Here are three types of mortgage loans for home buyers today: Conventional, FHA, and VA mortgages loans.

Conventional Mortgage

Conventional loans are mortgages not backed by a government agency. They are then referred to as “conforming” and “non-conforming”. Conforming loans follow guidelines set by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). First Time Homebuyers can put as little as 3% down for the down payment.

FHA Mortgage

FHA loans are the other kind of home mortgage loan. They are insured by the government through the Federal Housing Administration. This is done through mortgage insurance which is funded into the loan. It is a good choice for buyers who can take advantage of incentives like low down payments and low credit scores. With an FHA loan, you can put as little as 3.5% down for a down payment.

VA Mortgage

The VA home mortgage loan is also government issued. It is given to former US veterans and it may also be issued to the spouses of deceased veterans. The requirements are different and there are different criteria used to decide who qualifies for the loan. This includes factors like the years one served and if their discharge was honorable or not. The greatest benefit is that a down payment is not required. The Department of Veteran Affairs guarantees the loans but they are funded by a conventional lender.

FAQs

How long does it take to close on a property?

On average, 30 days. At Cream City Mortgage we can move much faster if needed. We have closed loans in 10 days, and sometimes buyers don't want to move for another 120 days!

Do I have to put 20% down for a down payment?

Heck no! The national average is 12% down. We can help you determine what makes the most sense for you.

What is escrow?

When you escrow your taxes and home insurance, those monthly costs are cooked into your monthly payment and held in an escrow account by the lender. When due, the lender will pay your taxes and insurance on your behalf.

Do I have to escrow my taxes and insurance?

If you put less than 20% down, yes...with most other lenders! Cream City Mortgage offers the opportunity to waive escrowing even if you don't put 20% down...at no additional cost!

What is PMI?

Private Mortgage Insurance. If you put less than 20% down, you will pay PMI. The PMI rate is determined by loan amount and credit score. It can range from \$20/month to \$250/month. Believe it or not, sometimes it's financially beneficial to pay PMI rather than come up with 20% down. It is a myth that PMI is bad.

What if I do not qualify on my own?

You can add a "non-occupying co-borrower" such as a parent or even a friend. They would be under the same scrutiny as you, but they don't have to occupy the house!

Are there any upfront costs with a pre approval?

Absolutely NOT. Did you know it's illegal for a broker to charge additional fees? In fact, you don't pay us a penny. Ever. That's beautiful.

When should I refinance my mortgage?

Whenever it makes sense! It's all about cash flow and what makes sense for you. Even if your rate only gets better by .25%, but you have the opportunity to get rid of PMI, then let's do it!

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