Homebridge®

Refinance GUIDE WITH Chavi Kahan

MEET YOUR LENDER & MORTGAGE LOAN ORIGINATOR

Chavi Kahan

Chavi Kahan has extensive knowledge in all areas of the mortgage industry, including sales, operations, underwriting, and management from her many years in the industry since 1995. She understands how to build a mortgage solution perfect for each client's unique needs. With this, Chavi is committed to providing each customer with the highest level of service and professionalism. Chavi's innovative approach to business, emphasis on working as an integrated team, and high standards for customer satisfaction make the mortgage process easy for everyone involved. Let Chavi bring your dreams to life!

About Homebridge®

Founded in 1989, Homebridge is a recognized leader in the mortgage industry focused on making the dream of homeownership a reality for every customer, every day. As one of the top non-bank lenders in the nation, Homebridge is experienced in not only helping you achieve your homeownership goals but providing you with an outstanding experience throughout the process. Our associates have helped countless customers over the last 30+ years and are focused on helping more each and every day.

YOUR HOME GIVES YOU **MORE OPPORTUNITIES**

Owning a home is more than just a roof over your head, or a place to take a vacation, or a rental income opportunity. Even if you currently have a mortgage on your home, your original investment in the property appreciates over time as real estate values increase. In most cases, the value increase in a property is more than you could have saved or earned in interest on a similar amount in an investment account.

There are many reasons a refinance may be appropriate for your situation, not just to get a lower interest rate. It is a fiscally responsible way to tap into the equity of your home without selling it. Refinancing is also a way to get better loan terms or to increase your cash flow. Life brings many changes, and what was a good decision a few years ago, may no longer be working for you. Analyzing your current position can have lasting benefits.

The only way to know if a refinance makes sense for you is to consider the details of your unique situation. I do not take a “one size fits all” approach. There are many refinance options available to fit your needs.

BENEFITS OF *Refinancing*

A refinance replaces your old loan with a newer one, allowing you to renegotiate interest rates and term length, among other things. As rates are starting to slowly increase, now is the time to discover how refinancing can adapt your mortgage to fit your current financial goals.

- **LOWER YOUR INTEREST RATE:** Replace your mortgage with one adjusted to today's low rates, possibly saving you thousands over the life of your loan.
- **UPGRADE TO YOUR DREAM HOME:** Cash out on your home's equity for renovations to match your vision.
- **ELIMINATE YOUR MORTGAGE INSURANCE:** Adjusting your equity position can allow you to quit making those pesky PMI payments.
- **CONSOLIDATE AND PAY DOWN DEBT:** Take cash from your equity to pay off high-interest debt such as car loans; credit cards and student loans.
- **A QUICKER PATH TO OWNING YOUR HOME:** A shorter term means directing more of your payments to the principal.
- **REPLACING AN ADJUSTABLE-RATE LOAN:** As your fixed-rate period ends, and rates increase, variable rate loans may have large annual increases that don't fit your budget. Refinancing to a long-term fixed-rate loan will save you interest over the life of the loan, even if the fixed rate is higher than your current ARM rate, and will give you the stability to know what your monthly payment will always be.

YOUR **MORTGAGE APPLICATION** CHECKLIST

READY TO GET STARTED?

Here's what you will need to have handy when getting pre-approved:

2 YEARS OF
TAX RETURNS

2 YEARS OF
W-2s

1 MONTH OF
PAY STUBS

1 FORM OF
OFFICIAL GOVERNMENT ID

2 RECENT
BANK STATEMENTS

1 RECENT
MORTGAGE STATEMENTS

APPLYING FOR A HOME LOAN *Without Getting Spammed*

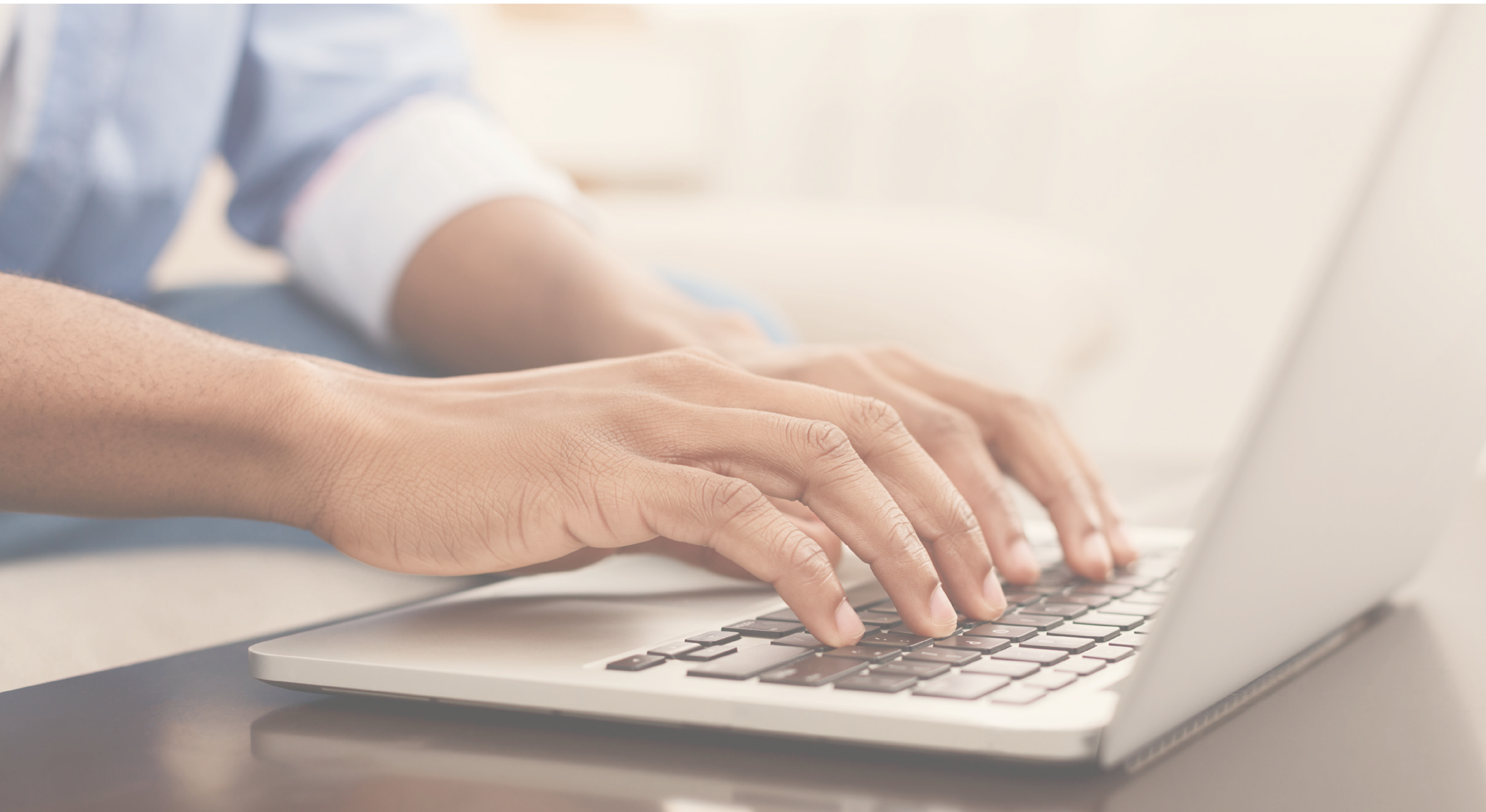
During the home loan process, pulling your credit is a requirement. Unfortunately, applying for any type of credit triggers the major credit bureaus who can legally sell your data to other lenders, brokers, credit card companies, and marketing firms. This can lead to an increase in telemarketing phone calls, emails, and even regular mail solicitations.

However, you can easily opt out1 by visiting www.optoutprescreen.com or by calling 1-888-5-OPTOUT (1-888-567-8688).

Homebridge will never share your personal information with anyone! We care about your privacy and recommend you opt out to protect your information from being sold. Should you receive any type of solicitation and are suspicious of its validity, please feel free to contact your local Homebridge Mortgage Loan Originator.

Once you opt out it may take up to five days for the change to go into effect.

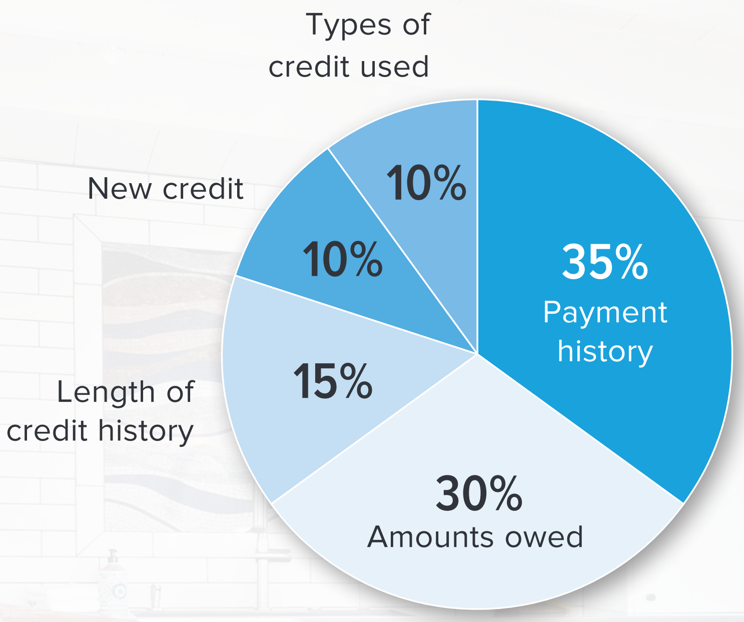
Homebridge would never, and is not allowed to, sell your info to outside companies.



WHAT'S IN *A Credit Score*

Your credit score is one of the most important factors in qualifying for a loan. Take a look at what affects your credit score and how you can improve it.

FACTORS THAT AFFECT CREDIT SCORES



35% **Payment history:** Were payments made on time?

30% **Amounts owed:** Is the balance owed close to the limit?

15% **Length of credit history:** How long have accounts been open?

10% **New credit:** How many new accounts have been opened?

10% **Types of credit used:** Mortgage, auto, consumer finance, revolving and installment loans.

CREDIT TIPS

- Stay current – Pay your bills on time
- Maintain low balances – Avoid carrying a balance that's over 50% of your limit on each card
- Get your hands on your credit report – Be aware that problems might exist and come up with a way to solve them
- Buying a car can put a dent in your credit score – it's best to avoid big changes to your finances right before a home purchase
- Plan waaay ahead – Get ahead of the game by paying down your debt, then try and lock up your credit cards until your credit score has been checked
- Keep in mind- closing accounts can actually drop your credit score – ask me before you make any major changes to your credit profile

Even if your credit isn't perfect, we can work together to get you where you want to be – in your dream home!

THE DO'S & DON'TS OF *Refinancing Your Home*

As you prepare to refinance your home, keep these points in mind to help streamline the process and avoid bumps that could delay or cancel the closing:

DO:

- Send all documents to me as soon as possible.
- Inform me of any time you may be out of town close to your closing date.
- Continue making your mortgage or rent payments.
- Keep living at your current residence.
- Stay current on all existing bank accounts.
- Keep working at your current employer or contact me if you must make any employment changes.
- Continue to use your credit cards as normal.
- Continue to maintain your credit by making all payments on time.
- Contact me prior to receiving any funds from anyone so these funds can be properly documented.
- Ask Questions – Turn to us to gain a better understanding of every detail and to get answers to your questions as they come up.
- Please refer me. Our business is built on providing high-quality service and satisfaction. If we did an excellent job for you, we'd be happy to assist your friends, family, and colleagues who you think can benefit from our loan products and services.

DON'T...

- Alter, modify, white out or black out any of the documentation you are providing to us
- Shred or throw away any documentation during the process (i.e., pay stubs, bank statements, etc.).
- Make a major purchase (car, boat, jewelry, furniture, etc.).
- Apply for new credit (even if you seem pre-approved), open a new credit card, or close any credit cards.
- Max out or overcharge on your credit card accounts or consolidate credit card debt.
- Pay off or close any loans or credit cards without discussing it with us first.
- Transfer balances from one account to another.
- Change bank accounts.
- Change your homeowner's insurance company.
- Start any major home improvement projects
- Finance any elective medical procedure.
- Open a new cellular phone account.
- Make any large deposits.
- Spend the funds you've already documented to us. Most mortgages are approved requiring a certain amount of money available after closing.
- Change jobs. Try not to make a career move until after your loan has closed.
- Open a new cellular phone account.
- Make any large deposits.

I'm here to help you, so if you have any questions or if you are unsure about something that may affect your closing, please don't hesitate to reach out!

LOOKING THROUGH YOUR *Mortgage Loan Process*

Six steps and then the home is yours! Understanding this process keeps you in the loop and you'll be aware of where you're headed next.

STEP 1 **PRE-APPROVAL**
Your Mortgage Loan Originator reviews your mortgage and helps you identify the right type of refinancing for you.

STEP 2 **APPLICATION**
Once your particular refinance is identified, you'll complete a full application.

STEP 3 **PROCESSING**
My team verifies all documentation and will order an appraisal if necessary.

STEP 4 **UNDERWRITING**
Our underwriter performs a detailed review of all information.

STEP 5 **FINAL APPROVAL**
Closing documents are prepared and your agent will set up the final signing.

STEP 6 **CLOSING & FUNDING**
All closing documents are reviewed and signed.

Refinancing finished!

Understanding RATES

HOW ARE MORTGAGE RATES DETERMINED?

Rates are based on the Mortgage-backed Securities Market which is part of the Bond Market. This means they trade like stocks and can change multiple times per day.

The 10-Year Treasury bond at times will trend in the same direction. It is not unusual, however, to see Mortgage-backed Securities and 10-Year Treasuries move in completely opposite directions. Mortgage, money, and interest rates all come from the same place; the Mortgage-backed Securities Market.

WHAT FACTORS COULD MAKE RATES CHANGE?

Economic news and government reports can impact rates. Examples of these factors include unemployment or inflation reports, stock market fluctuation, news of political unrest, and expert opinions issued by the Fed, etc.
The rule of thumb to remember is that good news about the economy is bad news for mortgage rates (they will increase) and bad news about the economy is good news for mortgage rates (they will decrease).

WHAT IS THE RANGE IN WHICH RATES CAN CHANGE IN A DAY?
Rates usually travel in a range of .125%- .375%. The size of the range depends heavily upon the economic climate. There is no guaranteed range; however, significant economic events would have to happen to create a larger move.

WHAT IMPACTS A RATE QUOTE?

Multiple criteria go into quoting an accurate interest rate. Missing one or more can have a significant effect on the rate quoted.

- Transaction type
- Loan amount
- Property value
- Subordinate financing
- Credit score
- Credit History
- Escrows
- Closing date/lock period needed
- Loan Type
- Property Location
- Property type/ # of units
- Occupancy type
- Available assets
- Asset seasoning/ source
- Debt ratio
- Housing ratio
- Employment/ income source
- Employment history
- US residency
- Documentation level
- Relocation
- Seller contributions
- Gifts
- Cash out amount
- Present & Previous homeownership

HOW CAN I TRACK THESE RATES?

It is very difficult to track rates because the market moves quickly; daily and even hourly. Rates really are a moving target. That being the case, if you are comparison shopping, you need to get quotes at the exact same time on the same day with the exact same terms for an accurate comparison. Make sure to check the associated fees to ensure you're comparing the full quote, not just the rate.

If you decide not to lock in right away, the best strategy is to track the direction of rates based on economic activity. Again, good news for the economy is bad news for the mortgage rates and bad news for the economy is good news for the mortgage rates.

Understanding RATES (CONTINUED)

IF I LOCK & RATES GO DOWN, CAN I GET THE LOWER RATE?

No, not unless you opted for what is called a “Float Down Option”, which usually carries a higher rate or a fee. Locking a rate is something like buying a stock. If you purchase a stock at $75 one day, for example, and the price rises to $85 or decreases to $65 the next day, you still purchased $75 worth of stock. The same applies to locking a rate. You are essentially betting that the rate you lock will be the lowest available until your closing date, so it’s important to be comfortable with it. If you don’t lock, you’re betting rates will go down or at least stay the same, but not go up.

Keep in mind, that the rate you lock is protected. This means the lender guarantees it will not increase during the lock period. To put this in perspective; would you be more upset if you locked, and rates went down or if you didn’t lock and rates went up? It’s important to note that there are considerations beyond rate. The lowest rate in the wrong structure and strategy can be far more expensive.

IN PLAIN TERMS, WHAT DOES .125% DIFFERENCE MEAN?

In my opinion, the difference is typically not as large as most people think, especially when you factor in the tax benefit. The chart below compares loan amounts on a 30-year mortgage at 5% and 4.875%

LOAN AMOUNT	5% (Monthly Principal & Interest)	4.875% (Monthly Principal & Interest)	MONTHLY DIFFERENCE
$500,000	$2,673	$2,635	$38
$400,000	$2,138	$2,108	$30
$300,000	$1,603	$1,581	$22
$200,000	$1,069	$1,054	$15
$100,000	$534	$527	$7

If you factor in your tax break (because mortgage interest is tax-deductible) the difference is even less per month.

WHAT EFFECT DO CLOSING COSTS HAVE ON INTEREST RATES?

You can pay higher fees, typically called discount points, to lower your rate. Regular closing costs have no impact on the rate. You can also pay reduced fees or even no fees at all by taking a higher interest rate to absorb some or all the costs. Both structures make sense; it all depends on your financial goals.

WHAT IMPACT CAN THE FED HAVE ON MORTGAGE RATES?

The Fed and their commentary can have a big impact on rates. The secondary market follows what the Fed says very closely.

When the Fed makes a change, though, it affects the “Fed Funds Rate” or “Discount Rate” These are both very short-term rates that impact credit cards, home equity lines, auto loans, etc. Many times when the Fed adjusts these rates, it can have the opposite effect on mortgage rates.

Additionally, news & projections affect mortgage rates, so if a Fed move is expected, it is already factored into mortgage rates before the actual change occurs. The commentary from the Fed meetings usually has more of an impact than rate cuts or increases.

WHAT ARE POINTS?

Points, also known as discount points, lower your interest rate in exchange for paying an upfront fee. This is also called “buying down the rate.”

Essentially, you pay some interest upfront in exchange for a lower interest rate over the life of your loan.

A “point” is a fee equal to a % of the loan amount. For example, if you pay one point for a $150,000 loan, that is 1% points, the cost for points will be $1,500. If you pay two points= 2%, your total cost for points will be $3,000. The more points you pay, the lower your rate will be. You can lower the interest rate if you have the funds to pay at closing.

You need to consider points when comparing interest rate quotes. It makes sense to buy points if you plan to stay in your home for a longer period of time. If you plan to move or refinance within the next 2–4 years, paying for points may not be right for you.

UNDERSTANDING THE ESCROW ACCOUNT

An escrow account is a savings account that is managed by your mortgage servicer. As you make your monthly mortgage payments, a portion of that payment is delegated to your escrow account. Escrow accounts are established to cover the cost of your property taxes and homeowners’ insurance and if applicable, mortgage insurance premiums.

Escrow accounts undergo a yearly analysis by your mortgage servicer to determine if you are paying the right amount to maintain the minimum required balance. If your escrow account has an overage, you will receive a refund. If there is a shortage, your monthly mortgage payment could increase to cover the cost, or you could be offered to pay the difference one time to keep your monthly payments the same.

If your mortgage currently has an escrow account for your taxes &/or insurance payments, the balance will be refunded to you after the loan is paid off from the refinance closing. We will establish a new escrow account at closing.

10 SIMPLE STEPS TO A *Smooth Closing*

1. **TELL ME EVERYTHING -** We want to get your loan closed smoothly and the best way is to avoid surprises. If you own another property, pay alimony, have an open building permit, owe child support, live in a flood zone, have a tax lien, expect a gift, are delinquent on your taxes, or have an outstanding parking ticket we are probably going to find out about it. It is MUCH better to tell me upfront so we can address it.

2. **CREDIT -** Don't do anything that might impact your credit. Your credit will be monitored even after you are approved, until after closing. Do not open new credit cards, take advantage of 0% financing offers, buy a car, cosign on a loan for your kids, buy a boat, close accounts or pay anything late. If you are unsure CALL ME FIRST.

3. **SENDING DOCUMENTS -** When sending documentation by email, please make sure your name is in the subject line and each item is clearly identified. Please be sure to send complete documents including ALL numbered pages, not just the pages you think are important. Please make sure to use secure email (or our secure online portal) for documents with confidential information.

4. **DEPOSITS -** The Patriot Act and other banking regulations require that we show the "source" of all large deposits. (This is typically defined as 50% of your monthly income). If there is a non-Payroll deposit on your statements, we will need to see the paperwork showing where the money came from.

5. **BANK STATEMENTS -** Include ALL pages of statements. Underwriters cannot accept partial statements, screenshots or redacted, altered, whited-out, blacked-out statements. If a statement says one of forty-five pages, we need all forty-five pages, even the one that says "intentionally left blank, or an advertisement. Try to avoid transferring money between accounts during the approval period. If you transfer funds between accounts, we will need to see both accounts (ALL PAGES for TWO MONTHS).

6. **EMPLOYMENT -** If you are contemplating a job change, retirement, or anticipate going on maternity leave, make sure to discuss this with me first to discuss how it may impact your mortgage financing.

7. **GIFTS -** Receiving a gift is always nice but many loan programs have restrictions on using gift funds to qualify for a loan. We will need to clearly document the transfer from the account of the person giving you the gift. We will need to see the statement of where the gift came from or a wire confirmation from the gift giver. We will also need a gift letter signed by the relative who gave you the gift. Consult your accountant for any potential tax implications. Documentation takes time. Plan to obtain the gift AT LEAST 30 days prior to closing.

8. **INSURANCE -** You will need to purchase homeowners' insurance in order to get final approval of your loan to close. Although the policy won't go into effect until the day of closing, you need to purchase the policy at least two weeks prior to closing so we can confirm that you have sufficient coverage and other details.

9. **LIQUIDITY -** Make sure the funds you need for closing are liquidated well before your closing. Money market accounts are not liquid. It can take several days to liquidate and transfer funds.

10. **TIMING -** One thing that can't be controlled is the exact timing of closing. Simply put - things happen. Title delays, work conflicts, third party verifications, ... can all delay a closing. Leave some cushion for the unpredictable.

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