

FIRST-TIME HOMEBUYING TIPS:

A Blueprint to Homeownership

LOAN APPROVAL CHECKLIST:

Documents You Will Need



Getting a home loan takes preparation. Here is a list of documents lenders will typically require from you as a potential homebuyer. Reviewing this list and gathering these documents ahead of time will make the loan application considerably smoother. Use this list as a guide and a checklist to help you stay organized.

- [ ] Federal income tax returns from the past two years
- [ ] W-2s from the past two years
- [ ] Paycheck stubs from the past two months
- [ ] Statements for all asset accounts (checking, savings, retirement) from the past two months
- [ ] Other income documents such as Social Security award letters
- [ ] Names and contact information for all employers over the last two years
- [ ] All addresses used over the past two years
- [ ] Government ID and Social Security card
- [ ] Copy of finalized divorce decree, child support order, bankruptcy filings and discharge papers
- [ ] Non-citizens must provide copy of resident alien (“green”) card or valid work authorization card
- [ ] Letters of explanation regarding past derogatory credit, name and address variations, recent credit inquiries and other issues required by the underwriter
- [ ] Others as needed or requested

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A Checklist of Serious Buyer Financing Challenges

If you are a potential homebuyer dealing with one or more of the following issues listed below, it might be very difficult to qualify for the best available terms for a conventional or government-backed loan. Review this checklist to understand what could affect your loan application as you move forward in your homebuying process.



- If you are married, but the "non-buying spouse" is not available or is not willing to take part in the purchasing process
- All of your income is paid in cash
- You are self-employed and your recent tax returns show minimal net business income reported in recent years
- You are planning to settle judgments or tax liens during escrow as a condition for final loan approval
- Your assets are all cash and you are unable to show where the money came from
- You listed a bankruptcy within the last 24 months, or you had a foreclosure less than three years ago
- Your Social Security number is not valid
- You are not a U.S. citizen or permanent resident (green card holder) and you do not have a valid work authorization card
- The home you want to buy has major health or safety issues, sub-standard unpermitted work, or cannot be safely lived in right away

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A DOWN PAYMENT
Worksheet



Use this worksheet to help you identify possible sources of money for your down payment.

REMEMBER: Cash-on-hand, which is money yet to be deposited to the bank, is generally not an eligible source of down payment funds.

Acceptable Down Payment Sources	Amount	When Available
Money you already have in your checking, savings, or investment accounts	$	
Properly documented gift funds from family members	$	
Pending funds you will receive from selling a home or property you currently own	$	
Withdrawal or loan from retirement savings accounts	$	
Income tax refund	$	
Rental deposit refund	$	
Down payment assistance grant from a nonprofit organization or a qualified loan from a public agency	$	
Total	**$**	



A FIELD GUIDE TO KNOWING IF YOU *are* MORTGAGE-READY

Review the questions below to get a clearer picture of where you stand in the mortgage-readiness process.

Questions to Help You Understand Your Mortgage Readiness	Yes	No
Can your income be sourced with documentation like recent paychecks, bank statements, W-2s, or tax returns?		
Has it been at least two years since you discharged debts in bankruptcy or three years since a home you owned was foreclosed?		
Do you have access to down payment funds that can be verified and properly documented?		
Do you have two or three active credit accounts (credit cards, auto loans, or student loans) in good standing?		
Are you a U.S. citizen, permanent resident, or do you have a valid work authorization card?		

If you answered "yes" to these questions, you are likely ready to contact a lender and start the pre-approval process. If you answered "no," a trusted housing or credit counselor can help you work through those issues so you can become mortgage-ready.

Tips for
CREDIT-CHALLENGED BUYERS

Using the STOP-START-FIX System to Improve Your Credit

STOP adding new negative credit issues by:

- Bringing any past due balances on open accounts up to date
- Avoiding new late payments
- Paying down revolving credit card balances

START building positive credit by:

- Having two to three active credit accounts (using secured credit cards if needed)
- Keeping your balances low
- Making every payment on time

FIX past credit problems by:

- Paying off or settling collection and charged-off accounts, judgments and liens as required by the underwriter

What NOT to Do When You are Working on Improving Your Credit:

- **Don't** apply for new credit cards or loans, including bigger ticket items like car purchases
- **Don't** pay off collections or charge-offs unless a lender or counselor tells you to
- **Don't** close existing credit card accounts
- **Don't** max out your credit cards or spend over the limit
- **Don't** consolidate your debt unless advised by a professional
- **Don't** do anything that will cause a red flag to be raised by the scoring system

What You SHOULD Do to Improve Your Credit:

- **Do** enroll in a credit monitoring program
- **Do** stay current on all your existing payments
- **Do** keep using your credit normally (small purchases + on-time payments)
- **Do** reach out to your Mortgage Loan Originator — a knowledgeable Mortgage Loan Originator can guide you, answer questions and help you understand the loan options that may work best for you

Helpful Referral Resource

Credit.org is a nonprofit organization that provides free credit counseling and financial management services to help you understand and improve your credit.

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LOAN APPROVAL *and* CLOSING STEPS

Understanding the steps in the loan approval process can help you feel more confident and prepared as you move toward buying a home. Below is a simple overview of what happens from your first conversation with a lender through closing day.

Pre-Contract Stage

Prequalification - A lender gives you an estimate of how much you can afford based on basic, unverified information.

Preapproval - You provide income, assets and credit documents. The lender reviews all relevant documents and credit history, runs your file through an Automated Underwriting System (AUS), and, if needed, an underwriter reviews it as well.

Contract to Close Stage

Conditional Approval - An underwriter reviews your file and approves it with certain conditions that must be met before the loan can move forward.

Clear-to-Close - All conditions have been satisfied and the underwriter signs off. Your loan is officially ready for closing documents to be prepared.

Funding Conditions - Right before closing, the lender updates and re-checks your credit, income and assets to ensure nothing has changed.

★ **Loan Closes! -** Your loan is finalized, funds are released and you're officially on your way to homeownership.

Remember, loan approval is an ongoing process that continues all the way through your closing date. **Make sure you stay mortgage-ready from start to finish.**



HOMEOWNERSHIP RESOURCES

Down Payment Assistance Tools

Scan the QR code to find out if you are eligible for any of the 400+ down payment assistance programs available in California.

Or visit
FindDownPayment.car.org



Working with Nonprofit Housing Agencies

Nonprofit housing agencies can be great resources for first-time homebuyers. They offer free or low-cost services, education and support that can help you navigate the homebuying process and connect you with trusted referral partners.

How to Find Housing Organizations in Your Area

- HUD-approved agencies can be found at:
  www.hud.gov/findacounselor
- NeighborWorks organizations can be found at:
  www.neighborworks.org/Our-Network-Directory
- Credit counseling organizations can be found at:
  www.nfcc.org

Typical Services Nonprofit Housing Agencies Provide

- Homebuyer education materials
- Guidance to help first-time homebuyers navigate each step of the homebuying process
- Financial and debt management counseling
- Default and foreclosure prevention and counseling
- Connecting buyers with first-time homebuyer assistance programs

Credit and Financial Education

CreditSmart® is a Freddie Mac initiative designed to help individuals improve their understanding of credit, personal finance, and homeownership through free resources and tools.

Learn more at: creditsmart.freddiemac.com

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