

# Mortgage Refinance Guide



## Put the Equity in Your Home to Work for You



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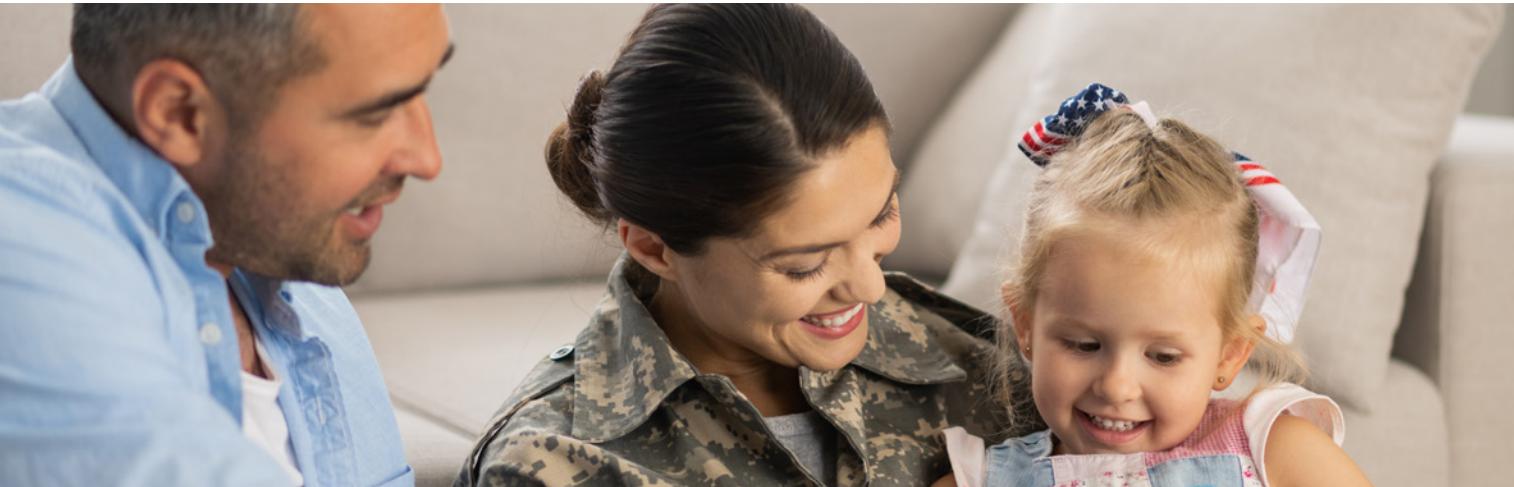
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First Heritage Mortgage, LLC | Company NMLS ID #86548 | ([www.nmlsconsumeraccess.org](http://www.nmlsconsumeraccess.org)) | Columbia Branch NMLS ID #2000649

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# Introduction

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## Refinancing may be easier than you think.

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The process of refinancing can seem complex, but it doesn't have to be. With the right information and a little preparation, you can be on your way to a stress-free refinance.

Whatever your goals or financial situation, our Mortgage Refinance Guide provides insights that can help you move forward with confidence.

This guide was designed to help you:

- **Decide if a refinance is right for you.** Learn about the benefits of refinancing and how an updated mortgage may help you achieve your financial goals faster.
- **Prepare for your refinance.** We'll share information on how to get your finances in order and understand your options.
- **Know what to expect every step of the way,** from submitting your application to closing your refinance.

## Is Now the Right Time to Refinance?

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It could be time to refinance if:

- Your adjustable rate mortgage payment is increasing
- Your current interest rate is higher than today's rate and you want a lower payment
- You want to "cash out" the equity in your home to use for expenses such as college tuition, a vacation property, or home improvements



## Contact Jacob Today!

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### Over the Phone

803.667.4725



### Get Started Online

[jacobcrowder.com](http://jacobcrowder.com)



### Branch Location

120 Cromer Road  
Lexington, SC 29073

# Steps to Refinancing Your Home

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**Step 1: Start with the Basics** Establish your goals for refinancing, then examine your current financial situation to decide if a refinance makes sense for you. We can work with you to make sure you're considering the right things when making this decision.

**Step 2: Application** Once we determine that a refinance is right for you, it's time to start the application. Much like your original mortgage application, we will request general information as well as documentation of your income and assets.

**Step 3: Processing** We will collect property information with an appraisal, title reports, and proof of insurance. A credit report will be requested, and we will verify your income and assets.

**Step 4: Underwriting & Approval** Our underwriters will make sure all loan guidelines are met by confirming the information we've provided. A checklist of factors must be satisfied in order to obtain approval. You may be asked to provide additional documentation during this time. It's important to respond to all requests quickly, or "conditions" may be put on the approval, preventing you from moving forward.

**Step 5: Closing & Funding** After all conditions for approval have been satisfied, your loan is cleared to close. We will compile your closing package, and then your closing will be scheduled and completed. On loans for primary residences, a three (3) day rescission, or waiting period, must occur between the closing and funding of the new loan. After the rescission period, your former loan will be paid off and your new mortgage will start.

## Things to Remember

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✓ **Every property and situation are unique.** Many small steps may occur within the five main steps, and even a small issue could temporarily put the process on hold.

✓ **Things may have changed since you originally financed your home,** and the documentation needed today may be more extensive. Please realize lenders must take steps to satisfy guidelines that are designed to protect you.

✓ **Never hesitate to reach out!** We want you to fully understand the process and feel comfortable with all parts of your refinance.

# Getting Ready to Refinance

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## Establish Your Goals

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People refinance for many reasons. Perhaps you want more manageable monthly payments, or to pay off your mortgage more quickly. Maybe you'd like to take advantage of lower rates, or you want to get cash out for expenses. Whatever the reason, it's important to be clear on your goals before you begin the process. Share what you'd like to achieve with us so we can help you choose the best refinance solution to reach your goals.

Here are a few of the key reasons homeowners typically opt to refinance:

### **Lower your monthly payment.**

If current interest rates are lower than the rate you are paying on your mortgage, refinancing could lower your monthly payment.

### **Convert your home's equity to cash.**

If you have enough equity in your home, a cash-out refinance can allow you to turn that equity into cash. You might use the funds to pay off debts, fund a retirement plan, purchase an investment property, make home improvements, or cover the costs of other large expenses like college tuition.

### **Stop paying monthly mortgage insurance.**

If you're currently paying mortgage insurance, refinancing may allow you to tap into your home's equity to eliminate the need to pay this monthly expense.

### **Shorten your mortgage term.**

You can use a refinance to shorten the term of your mortgage, which allows you to pay off your mortgage sooner and potentially save thousands of dollars in interest over the life of the loan. The shortened term may result in a slightly higher monthly mortgage payment.

### **Switch from an Adjustable-Rate Mortgage (ARM) to a Fixed-Rate Mortgage.**

If you have an adjustable-rate mortgage, refinancing to a fixed-rate loan can lock in a low rate for the life of the mortgage, which may result in significant cost savings. Plus, you can rest assured that your monthly payments won't increase if rates should rise in the future.

# Getting Ready to Refinance

continued

## Evaluate Your Readiness

Once you have a clear goal in mind, it's time to look at your financial situation. Key factors to consider are described below. Be sure to share these details with us so that we can pinpoint the best solutions to match your goals **and** your financial position.

### Order and review your credit report.

Your credit report provides a snapshot of your credit history and whether you pay bills on time. It also reveals how much debt you currently have. Although we will order a credit report when you begin the refinance process, it's helpful to know what yours says ahead of time. You can visit [www.annualcreditreport.com](http://www.annualcreditreport.com) for a free copy of your credit report.

Review your credit report thoroughly and address any errors or issues immediately. If you have or have had serious credit problems, we may be able to find alternative financing solutions for you. Although programs exist for a variety of borrowers, the better your credit score, the more options will be available to you.

### Calculate your Debt-to-Income Ratio (DTI).

In many cases, we will review your debt-to-income ratio (DTI) to help determine your ability to repay the money borrowed for your new mortgage. Your DTI can impact whether you qualify for certain products and rates. You can calculate your general DTI by adding up all of your monthly debts and dividing by your gross monthly income.

### Check on your current mortgage payment.

Understanding how your monthly mortgage payment fits into your overall budget will help you weigh your options. For instance, if your goal is to get a lower monthly payment, it's important to know **how much lower** the payment must be for the refinance to be worthwhile. If you want to take cash out or shorten your loan term, you should know how much room you have in your budget for a higher monthly payment.

You should also check to see if your mortgage carries a prepayment penalty. It's important to understand the penalty, if any, and factor that into your decision.

### Research the current value of your home.

Before refinancing, it's a good idea to research an estimate of your home's current value. You cannot borrow more than the home is worth, so an appraisal value that comes back lower than expected can impact your ability to refinance — especially if you're looking to remove mortgage insurance or take cash out.

A good way to estimate the current value of your home ahead of an appraisal is to **check the sale prices of similar homes close by**. The more recent the sale, the better.

Knowing the value of your home can also tell you how much equity you have. To figure this out, simply subtract your current mortgage balance from the estimated value of your home.



## Calculate Your Options

We have resources available to help!

Go to [www.bit.ly/RefinanceCalculatorFHM](http://www.bit.ly/RefinanceCalculatorFHM) and use our **Mortgage Refinance Calculator** to help weigh your refinance options including what you might save on a monthly basis and over the life of the loan.

# The Application Process

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## Submit Your Application

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Much like your original mortgage application, you will be asked to supply general information and financial documentation. We will carefully review your credit history, your debts and income, and other information.

You can help move the mortgage application process along by being prepared. The [Refinance Application Checklist](#) on page 9 outlines the items you may want to have ready to speed up the application process. The checklist includes most of the information that you and any co-borrower(s) will need to supply.

## Locking Your Rate

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Once your application is complete, you'll be able to lock your loan rate. This is referred to as a [mortgage rate lock](#). Mortgage rates change daily, and a rate lock can protect you from increases while you wait for your loan to close.

We will work with you to lock, or guarantee, an interest rate on your loan for a specified period of time. Typical scenarios allow you to lock your rate for 30 to 60 days, or longer. You may extend the lock period if necessary, and may need to pay a fee to do so.

We can find out when your loan is expected to close, and decide on the best rate lock strategy for you.



## Know Your All-In Costs

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After you apply, you'll receive a [Loan Estimate](#) that lists the estimated fees and costs of your loan. Prior to closing, we will send you a [Closing Disclosure](#) which provides your final figures and shows exactly what you're paying for.

Common refinancing expenses include:

- ✓ Application Fee
- ✓ Loan Origination Fee
- ✓ Appraisal Fee
- ✓ Title Search and Title Insurance

# The Application Process

continued

## Appraisal and Underwriting

### Underwriting

Once all documentation is submitted, we will begin the underwriting process. During this time, the underwriter verifies the details on your mortgage application and documentation to make sure everything you've submitted is accurate. The underwriter will also verify the details of your property, which usually includes an [appraisal](#) to determine the home's value.

### Appraisal

During the appraisal, a professional appraiser will inspect your home and compare it to similar, recently sold homes in your area to determine an opinion of value. The appraisal helps us base the loan amount of your refinance on an accurate home value.

The results of your appraisal can determine the refinance options you're eligible for. If you want a cash-out refinance, your home's appraised value largely determines how much cash you can take out. If you're refinancing to lower your monthly mortgage payments, the appraised value can establish whether you have enough equity to qualify for certain loan options or remove private mortgage insurance.

Once the underwriter approves all the required paperwork, your refinance is nearly complete. We will get in touch with you to schedule your closing and review your final mortgage numbers.

## The Closing

Closing is the final step in getting a new loan that will help you achieve your financial goals.

Three business days before your closing date, we will send you [Closing Disclosure](#). This document details all the final numbers on your loan, including the loan amount and term, interest rate, origination fees, deposits for property taxes and insurance, title and homeowner's insurance, and any other fees. Review this document

### Get Your Home Appraisal-Ready

You'll want to make sure your home looks its best for the appraisal. Here are some recommendations to help you prepare:

- Tidy up as best you can: Stow away clutter, sweep floors, wipe surfaces, etc.
- Complete any minor repairs that might help leave a good impression
- Put together a list of upgrades you've made to the home since you bought it

carefully and compare it to your Loan Estimate to make sure there aren't any surprise changes. Contact us immediately with any questions or concerns.

### What to Expect at Closing

The closing is typically attended by anyone on the loan and title, and a representative from the title company. During closing, you will review all loan details and then sign your loan documents. You'll pay any closing costs that aren't rolled into your loan. These will be listed in the Closing Disclosure you receive prior to settlement. If you're owed money for a cash-out refinance or similar, you should expect to receive the funds within a few days.

### Right of Rescission

If you are refinancing your primary residence with a different lender, there will be a three-day right of rescission period after closing. This waiting period protects consumers under the Truth in Lending Act (TILA) and gives you three business days to review all signed loan documents and make sure you want to keep the loan.

After that, your refinance will be complete and you can enjoy the benefits of your new loan!

# Refinance Application Checklist



The items listed below are the standard supporting documents and information commonly needed for loan approval. However, individual circumstances may dictate that additional information is required.

Income Documentation	Asset Documentation	Additional Information
<ul style="list-style-type: none"><li><input type="checkbox"/> <b>W-2 Tax Forms</b> - Copy of 2 most recent years</li><li><input type="checkbox"/> <b>IRS 1040s</b> - Copy of 2 most recent years, all schedules</li><li><input type="checkbox"/> <b>IRS 1120s &amp; K1s</b> - For self-employed borrowers and consumers</li><li><input type="checkbox"/> <b>YTD Profit and Loss Statement</b> if applicable</li><li><input type="checkbox"/> <b>Paystubs</b> - Copy of 2 most recent for salaried employees</li><li><input type="checkbox"/> <b>Employment Verification</b> - Names, addresses, and phone numbers of employers for the past 2 years</li><li><input type="checkbox"/> <b>Rental Leases</b> - If owner of investment property</li></ul>	<ul style="list-style-type: none"><li><input type="checkbox"/> <b>Bank Statements</b> - All pages of 2 most recent months</li><li><input type="checkbox"/> <b>Brokerage Statements</b> - All pages of 2 most recent months or current quarter</li><li><input type="checkbox"/> <b>Retirement Statements</b> - All pages of 2 most recent months or current quarter</li><li><input type="checkbox"/> <b>Other Personal Property</b> - Documentation to verify the value of personal property which can include life insurance, cars, etc.</li><li><input type="checkbox"/> <b>Liabilities</b> - Auto loans, student loans, credit cards, and other installment debt. You will need to provide the name and address of each creditor and the monthly payment and total amount due</li></ul>	<ul style="list-style-type: none"><li><input type="checkbox"/> <b>Birth Date</b> - For all borrowers and co-borrowers on the loan</li><li><input type="checkbox"/> <b>Social Security Number</b> - For all borrowers and co-borrowers on the loan</li><li><input type="checkbox"/> <b>Previous Addresses</b> - Property address, name and address of the landlord; current monthly rent; and previous addresses/landlords if you've lived in your current address for less than 2 years</li><li><input type="checkbox"/> <b>Agreement to Purchase</b> - A signed copy and any amendments, a copy of the listing form for the property, the legal description of the property, and receipt for earnest money or down payment deposits (if applicable)</li></ul>

# Refinance Do's and Don'ts

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There are several actions that can impact the mortgage approval process. Use our tips below to help keep your loan approval and closing date on track.

## Refinance Do's

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- ✓ **Do continue to make your regular payments.** However, if you have a payment due just prior to your scheduled closing, please consult with your mortgage professional first. It may be best to pay at the closing rather than risk having the payment and payoff letter cross in the mail.
- ✓ **Do prepare your home for the appraisal.** The appraiser will take photos inside and out. While a messy house is not really worth less than a clean one, first impressions can make an impact with an appraiser.
- ✓ **Do keep your paystubs and bank statements available.** Underwriters may request the latest documentation available before loan approval or as a condition of loan commitment.
- ✓ **Do understand that things have changed.** Underwriters require more documentation than in the past. Even if requests seem intrusive or unnecessary, please remember that if they didn't need it, they wouldn't ask.

## Refinance Don'ts

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- ✗ **Don't apply for new credit.** Changes in credit can cause delays, change the terms of your financing or even prevent closing.
- ✗ **Don't change jobs during the process.** Probationary periods, career or even status changes (such as from a salaried to a commissioned position, leave of absence or new bonus structure) can be subject to very strict rules.
- ✗ **Don't make undocumented deposits.** Primarily large but sometimes even small deposits must be sourced unless they are identified. Make copies of checks and deposit slips. Keep your deposits separate and small. Avoid depositing cash.
- ✗ **Don't start any home improvement projects.** Anything that can disrupt the functionality of the home can be an issue if undertaken before the appraisal. Delay projects that require a building permit, involve a bathroom or kitchen renovation, or create structural changes.
- ✗ **Don't ever be afraid to ask questions!** If you're uncertain about what you need or what you should do, we're here to help you through the process. Together, we'll get you on your way to saving money and achieving your goals.

# 5 Smart Ways to Use Your Refi Savings



## Get the Most Out of Your Refinance

You did it. Congratulations on your refinance! Before you get used to a lower monthly payment, why not leverage your savings by making another wise decision?

There are many things you can do to maximize the savings you'll begin to see from your refinance. Below are a few options for putting your newfound cash to good use:

- 1. Build your emergency cash reserve.** If your income is interrupted or if a need arises, your emergency fund lets you avoid interest costs from borrowing or tax consequences from cashing out investments.
- 2. Pay down high rate debt.** Paying off high rate credit cards or other debts will help free up your cash flow so you can invest it for growth.
- 3. Invest, invest, invest.** Max out your 401K contribution. Even a partial match from your employer yields an amazing, instant rate of return. Got kids? Start or ramp up a college savings plan. Tuition costs are rising faster than inflation. Invest now to beat the trend.
- 4. Make sure you are protected.** Do you have sufficient life, disability, and property insurance? Doing everything else right matters little if tragedy strikes and you lose it all due to lack of coverage. Why not set up a review with your insurance pro today? Call if you need a referral to someone who can help.
- 5. Pay off your loan faster.** This is not always the best thing to do with your cash, but for some, peace of mind has the best rate of return.

### One More Thing to Consider

How about buying your vacation or retirement home today?

Subsidize your payments by renting it out when you aren't there. Then, when you do retire, you will have already built memories in your new home, and you will be well on your way to paying it off. Plus, when you sell your main residence later, the proceeds can fund living expenses.

This is not for everyone, but it may make sense for some.

# Glossary of Refinance Terms

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Refinancing a mortgage is easier if you have an understanding of lending terminology. The following **glossary of commonly-used financing terms** will help you as you make your way through the refinancing process.

## Appraisal

A "defensible" and carefully documented opinion of a property's fair market value. Most commonly derived using recent sales of comparable properties by a licensed, professional appraiser.

## Cash-Out Refinance

A refinance transaction that allows the borrower to convert a portion of their home equity into cash. The new loan amount exceeds the total of the current mortgage balance, with the excess funds typically delivered to the borrower in the form of a check.

## Closing

A meeting at which a sale of a property is finalized by the buyer signing the mortgage documents and paying closing costs. Also called **Settlement**.

## Closing Costs

All appropriate costs generated by the sale of property which the parties must pay to complete the transaction. Costs may include appraisal fees, origination fees, title insurance, taxes and any points negotiated in the deal.

## Credit History

A record of debt payments, past and present. Used by mortgage lenders in determining credit worthiness of individuals.

## Credit Report

A detailed report of an individual's credit, employment and residence history prepared by a credit bureau. Used by lenders to help determine creditworthiness of potential borrowers.

## Credit Score

A number that represents the level of an individual's creditworthiness. This number helps predict how likely a person may be to pay back a loan on time. In general, the higher one's credit score, the more likely they are to be approved for and pay a lower interest rate on a loan.

## Debt

An amount owed to another; an obligation to repay some amount owed.

# Glossary of Refinance Terms

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## Debt-to-Income Ratio (DTI)

All your monthly debt payments divided by gross monthly income. This number is one way lenders measure a borrower's ability to manage the payments made every month to repay the money they have borrowed.

## Equity

The difference between the fair market value (appraised value) of a property and how much is still owed on the mortgage.

## Escrow

An amount retained by a third party in a trust to meet a future obligation. Often used in the payment of annual taxes or insurance for real property.

## Fair Market Value

The likely selling price of a home, typically determined by an appraisal.

## HARP® Refinance

A federal program that enables borrowers with loans owned by Freddie Mac or Fannie Mae and little or no equity to refinance into more affordable mortgages with lower interest rates and other favorable loan terms.

## Home Equity Loan

A lump-sum loan based on the amount of equity a borrower has in their home.

## Home Equity Line of Credit (HELOC)

A line of credit secured by the borrower's residence, that allows the borrower to draw cash against the equity in their home.

## Interest Rate

A percentage of a loan or mortgage value that is paid to the lender as compensation for loaning funds. The interest rate does not include fees charged for the loan.

## Limited Cash-Out Refinance

A refinance transaction that allows borrowers to change the mortgage rate, loan term, or both. Closing costs are added to the loan balance.

## Loan Term

The amount of time during which a borrower makes monthly payments toward a home loan. The term is subject to change depending on the borrower's payment habits and/or refinancing of the mortgage.

## Mortgage

A legal document that pledges a property to the lender as security for payment of a debt.

## Mortgage Insurance

A contract that ensures the lender against loss caused by a borrower's default on a government mortgage or conventional mortgage. Mortgage insurance can be issued by a private company or by a government agency such as the Federal Housing Administration (FHA).

## PITI (Principal, Interest, Taxes and Insurance)

The four elements of a monthly mortgage payment. **Principal** refers to the part of the monthly payment that reduces the remaining balance of the mortgage. **Interest** is the fee charged for borrowing money. **Taxes and Insurance** are the amounts paid into an escrow account each month for property taxes and hazard insurance.

## Prepayment Penalty

A fee that may be charged to a borrower who pays off all or part of a loan before the specified term.

## Principal

The amount borrowed on a mortgage which does not include interest or other fees.

# Glossary of Refinance Terms

continued



## Rate Lock

An agreement between a lender and a borrower, guaranteeing a specific interest rate for a loan, for a specified period of time. If a rate lock expires before the loan closes, the borrower must work with the lender to extend the current lock, establish a new lock agreement.

## Rate-and-Term Refinance

A refinance transaction that allows the borrower to change their mortgage rate, loan term, or both.

## Refinance

Paying off an existing loan with the proceeds from a new loan, typically using the same property as collateral. Commonly done to gain a lower interest rate or convert equity to cash.

## Rescission

The cancellation of a contract. In certain real estate secured transactions that involve the refinance of a primary residence, borrowers have three business days to cancel the transaction after all loan documents have been signed.

## Underwriting

The process of evaluating a loan application to determine the risk involved for the lender. Underwriting involves an analysis of the borrower's creditworthiness and the quality of the property itself.

## VA Interest Rate Reduction Refinancing Loan (IRRRL)

A loan program under which the Veterans Administration (VA) allows qualifying borrowers to refinance their existing VA loan to take advantage of more favorable rates or to shorten the repayment period. Sometimes called [VA Streamline Refinance](#).

A circular inset image showing three people (two men and one woman) sitting around a table, looking at a laptop and papers, suggesting a meeting with a mortgage professional.

**Ready to Take the Next Step?  
Let's Get Started Together!**

As mortgage professionals, we have helped homeowners with many different needs. Together, we can discuss your situation and see if **now is the right time** for you to refinance.

# About First Heritage Mortgage, LLC

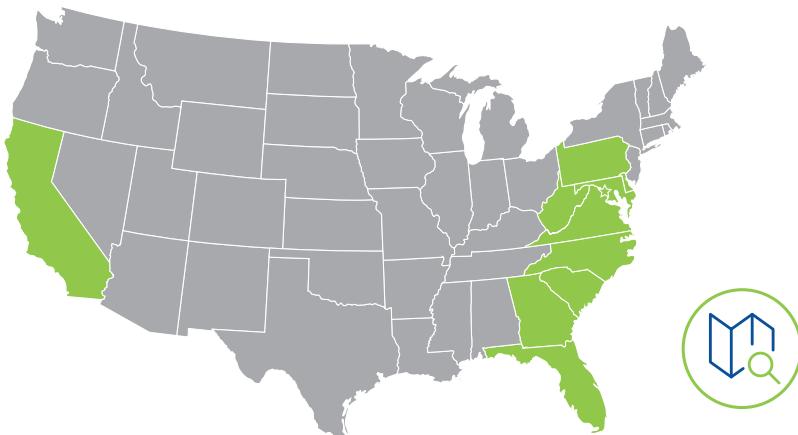


Founded in 1996, First Heritage Mortgage, LLC (FHM) was designed to be the premier source of mortgage financing in the Washington DC metro area. From the outset, FHM's blend of best in class service, combined with competitive rates and products, has won the confidence of the company's partners and legions of satisfied borrowers.

FHM is a direct lender, meaning our borrowers' loans are processed, underwritten, and closed locally. This enables a speedy, accurate delivery of services, and removes much of the stress from the financing process.

Our mortgage experts have helped thousands of homeowners just like you achieve their home financing goals. Tell us what you'd like to achieve, and we will walk you through the refinance process with the personalized guidance you need from start to finish.

## Where We Lend



VA | MD | DC | DE | WV | PA | NC | SC | GA | FL | CA

## Awards & Honors



**Jacob Crowder**

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