

Dakota

COMMUNITY
BANK & TRUST

first time

HOMEBUYER GUIDE



meet the team



DEBBY WISDOM Mortgage Loan Officer

Mandan • 701-667-0510 • NMLS# 674015
dwisdom@dakotacommunitybank.com



CURTIS PETERSON Mortgage Loan Officer

Bismarck North • 701-222-9606 • NMLS# 827981
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cobrigewitsch@dakotacommunitybank.com



AMY ANTON Mortgage Loan Officer

Dickinson South • 701-483-8000 ext 1023 • NMLS# 674028
aanton@dakotacommunitybank.com



why choose

DAKOTA COMMUNITY BANK & TRUST?

You have a lot of choices when it comes to selecting a mortgage lender; with a number of brokers, banks and specialty lenders wanting your business, why should you work with us?

Experts say that buying a new home can be one of the most stressful times in a person's life. We say if it's stressful, you're doing it wrong.

Choosing an expert to help you obtain your home financing just makes sense. In fact, partnering with knowledgeable team members throughout the process will help make the whole transaction a lot smoother.

Simply put, we care about you!

At Dakota Community Bank & Trust we are providing you with personalized customer service and the resources of a local, community lender.

- **Guidance based on knowledge and experience-** we will guide you from start to finish, helping you find the right home loan program to fit your needs and ensuring you are comfortable with the decisions you make.
- **Open communication-** we are here for you to answer any questions on the process so you can make an educated decision. You can also trust us to contact you with solutions should an issue arise.
- **Commitment-** we are here to help you achieve your homeownership goals.

We're not here to just get you into a home and move on. We're here to build a long-term relationship with you - and your friends and family, too. Come and let us help **YOU** be a part of our **COMMUNITY!**



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THE JOURNEY TO HOMEOWNERSHIP

let's adventure together!

We're about to start the journey on the path to homeownership. Buying a home is an exciting adventure and it's probably the biggest purchase you'll make in your lifetime. But the trek to becoming a homeowner is no simple day hike.

The good news is, we can help guide you on your journey. Our goal is to help you become a well-educated homebuyer. During the process, we will be communicating with you all the way from the pre-qualification to receiving the keys to your new home.

We look forward to taking this journey with you!



FROM THE GROUND UP: THE MORTGAGE PROCESS

Let's meet the team that makes homeownership happen for millions of people just like you!



LOAN OFFICER

Your guide from start to finish (that's us!). I'll help you determine what you can afford, choose a loan program, and keep you informed throughout the entire process.



LOAN PROCESSOR

Reviews your loan application to make sure it's complete and accurate before handing it off to the underwriter. They order appraisals, verification of employment, and title work.



UNDERWRITER

Makes the final decision to approve or deny your mortgage loan, based on your specific financial situation. They also approve appraisals and title work.



CLOSING LOAN DOCUMENT PROCESSOR

They work with the title company to prepare your final closing numbers and delivers your closing package to the closing agent so all documents are ready for your signature.



BUYER'S AGENT

Helps you find a home and negotiates the offer on your behalf. If you don't already have an agent, ask your loan officer for a referral.



LISTING AGENT

Represents the seller and helps them negotiate the prices and terms in the sale of the home.



CLOSING AGENT

Acts as an impartial third party who plays the important role of overseeing the final details of the real estate transaction.



INSPECTOR

An individual certified in home inspecting that will provide a report of the property from the foundation to the roof top listing the general condition and any needed repairs. Having a home inspection is an option. Home inspector choice and cost are not included in your home loan.



APPRAISER

A 3rd party licensed individual that evaluates the property to ensure it's worth the sales price. The appraiser will be selected by Dakota Community & Trust on your behalf.



TITLE COMPANY

Performs title, lien, and easement or right of way searches related to your property. Provides location drawing to ensure structures are not encroaching on a neighbor. They will prepare and provide the title commitment or abstract update and final title policies.

GET PRE-QUALIFIED WITH DAKOTA COMMUNITY BANK & TRUST

Before you start looking at houses, it's important to work with your lender to get pre-qualified, which will let you know how much home you can afford. This can help you narrow your home search to houses within your budget, give you an idea of much you'll need for a down payment, and help you identify budgeting goals to work towards. Getting this step in the journey done first will help your real estate agent know you're serious.

To get started, there are some things you will need to provide us. These will help us determine your credit worthiness; that is, how likely you are to pay back the loan.

Mortgage Checklist

The following information is usually requested during the loan process for all applicants:

- Social Security number
- Most recent months paystub
- Tax returns and W2's for the past two years, personal and business
- Bank statements for the past two months (statements should show bank name, customer name(s), and account numbers)
- Have a general idea of the following:
 - Credit card balance and minimum payment
 - Auto loan balance and minimum payment
 - Personal loan balance and minimum payment

If applicable:

- Copy of divorce decree and child support
- Copy of bankruptcy discharge papers
- Documentation of "other" income (Social Security, disability, etc.)
- Investment/retirement funds statement, if funds are being used as down payment
- Veterans current service or discharge documents

If you currently own real estate:

- Mortgage account information
- Home insurance policy information
- Home equity account information (if applicable)

This is just a basic list of the items needed to get started. As our journey continues, we may ask you for additional documents that are needed based on the information you provide.

We will provide you with a pre-qualification letter once we can determine your credit worthiness based on the documents provided. This letter can be included with your purchase agreement to let the seller know you are serious in wanting to purchase their home. It shows the seller that you are qualified and are ready to start the journey to homeownership.

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Once you have been pre-qualified, it's important to maintain your credit worthiness and financial stability. Here are a few reminders to ensure your loan closes quickly and easily:

MORTGAGE



DOs

&



DON'Ts

Do's:

- Reach out to your loan officer with any questions or concerns
- Keep your loan officer updated on any major changes (ex: salary, address, credit score, etc.)
- Notify your loan officer if you plan to receive gift funds for closing
- Provide all documentation for sale of current home (if applicable)
- Understand that underwriters may require more documentation later in the loan process.
 - Even if the request seems silly, intrusive or unnecessary, please remember that if they didn't need it, we wouldn't be asking for it. Get this additional documentation to us as soon as possible.
- Look into getting an optional home inspection
- Get homeowners insurance quote

Don'ts: (these things may affect your financing approval)

- Apply for credit (ex: new credit card, car loan, or financing for furniture or appliances)
- Close any credit accounts
- Make major purchases (now is not the time to treat yourself to a new boat)
- Co-sign for another loan (this will show up as additional debt and could affect your credit)
- Liquidate funds (keep your investment funds invested)
- Make large deposits (hold off on borrowing cash)
- Switch jobs (stability is important to your creditworthiness)
- Ignore communication from your agent or your loan officer

LET'S CLIMB INTO MORTGAGE OPTIONS.

A little education can go a long way!

How can you be sure you're making the best decision about your home financing? There are so many choices, different requirements, and special programs...it can make your eyes cross! You've got nothing to fear; your trustworthy Dakota Community Bank & Trust Loan Officers are here to help you choose the best financing for your personal needs.

Choices! Choices! Choices!

You'll have a lot of choices when it's time to select the type of home loan that best fits your needs. Different loans have different conditions and terms, which we'll go over to ensure you understand your options and are making a well-informed decision.

— **Conventional Fixed Rate Loan**

— **Federal Housing Administration Loan (FHA)**

— **United States Department of Agriculture Loan (USDA/RH)**

— **Veterans Affairs Loan (VA)**

Dakota Community Bank & Trust works closely with North Dakota Housing Finance Agency (NDHFA) as an approved lender to get you into a home loan program that provides First-Time Homebuyer Assistance for all the above programs. Your Mortgage Loan Officer will help you get into the best mortgage to meet your needs.

CONVENTIONAL FIXED RATE LOAN

You may apply for a Conventional Mortgage if:

- You have moderate to high credit scores
- You plan to make a larger down payment
- You may have a smaller debt vs income ratio

A conventional mortgage allows you to purchase a home with as little as 3% down payment, moderate to higher credit scores, and a lower debt to income ratio. It's important to note; however, that having a down payment of less than 20% will require private mortgage insurance and increase your overall monthly payment. With a conventional loan, private mortgage insurance premiums are calculated based off a combination of your credit scores and loan amount vs appraised value. Conventional private mortgage insurance can be canceled once certain requirements are met. A conventional mortgage also has the option to escrow or non-escrow your property taxes and homeowners insurance if your down payment is 20% or more.

For future knowledge, if looking to purchase a second home or an investment property - this is likely the financing you would obtain.

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FEDERAL HOUSING ADMINISTRATION LOAN (FHA)

You may apply for an FHA Mortgage if:

- You have low to moderate credit scores
- You are not planning to make a large down payment
- You may have a higher debt vs income ratio

An FHA mortgage is a fixed rate program that is insured by the Federal Housing Administration. An FHA mortgage allows you to purchase a home with as little as 3.5% down payment, lower credit scores, and a higher debt to income ratio. An upfront mortgage insurance premium is required and will be included in your final loan amount. A monthly mortgage insurance premium is also required and dependent on your loan amount, term, and loan to value; it is included in your monthly payment. An FHA mortgage will require you to escrow for your property taxes and homeowners insurance.

When appraising a property for FHA financing, an appraiser will ensure it follows the rule of the 3 S's. You and your agent may want to keep an eye out for these items as you view properties:

- **Safe** - the home will be safe and healthy for you to occupy (no cracked paint, stairs will have railings, and home has smoke alarms)
- **Secure** - the home will be secure for your family (no broken windows or doors)
- **Sound** - the structure has no deficiencies (no foundation issues, water, and electrical is up to code)

UNITED STATES DEPARTMENT OF AGRICULTURE LOAN (USDA/RH)

You may apply for a USDA/RH Mortgage if:

- You may have a lower credit score
- You are not planning to make a down payment
- You may have a higher debt vs income ratio

A USDA mortgage is a fixed rate program backed by the United States Department of Agriculture for eligible homes in rural areas. A USDA mortgage requires no down payment. With a USDA mortgage, a guarantee fee will be required and is included in your closing costs. You will be required to escrow for your property taxes and homeowners insurance. A USDA mortgage does have more requirements than other programs, such as certain restrictions when it comes to income and property location. If you think this program is something that fits your needs, your Dakota Community Bank & Trust loan officer will take the necessary steps to make sure the home you are looking to purchase is in a USDA approved area and that your financial situation fits their guidelines.

When appraising a property for USDA/RH financing, an appraiser will ensure it follows the rule of the 3 S's. You and your agent may want to keep an eye out for these items as you view properties:

- **Safe** - the home will be safe and healthy for you to occupy (no cracked paint, stairs will have railings, and home has smoke alarms)
- **Secure** - the home will be secure for your family (no broken windows or doors)
- **Sound** - the structure has no deficiencies (no foundation issues, water, and electrical is up to code)

VETERANS AFFAIRS LOAN (VA)

Do I qualify? I am a...

- Veteran
- Active-Duty Service Member
- Reservist
- National Guard Member
- Eligible Surviving Spouse

A VA home loan is a fixed rate program backed by the US Department of Veterans Affairs' for eligible current and former service members and their spouses. A VA loan does not require a down payment, but a down payment of 5% or more can lower your funding fee. With a VA mortgage, a funding fee may be required and is included in your closing costs. You will be required to escrow for your property taxes and homeowners insurance. You will need to provide us your current service or discharge documents, ie. DD214, NGB Forms 22/23 or statement of service/points, to request a Certificate of Eligibility from the Department of Veterans Affairs. This will determine the entitlement amount VA will guarantee on your loan and also if you are excluded from paying the funding fee due to something like an existing disability benefit.

FIRST TIME HOMEBUYER ASSISTANCE

Dakota Community Bank & Trust works closely with North Dakota Housing Finance Agency (NDHFA) as an approved lender to offer you a home loan program that provides First Time Homebuyer Assistance for all the above programs.

NDHFA down payment assistance programs provide 3% of your loan amount to be used for down payment and closing cost assistance. There is no separate loan taken out for this assistance; it is paid back to NDHFA over the next 8 years through your monthly payment. If you would sell or refinance the home within this time frame the balance of the assistance received is pro-rated and must be paid back to the NDHFA as part of your next transaction.

A mortgage using NDHFA's programs will have certain requirements when it comes to income. Your loan officer will help you navigate the requirements to ensure you qualify.

Our relationship with NDHFA allows us to have many options for home loan programs to fit a wide variety of needs, such as:

- households with at least one immediate family member permanently disabled
- at least one family member age 65 or older
- a single-parent household with a dependent child residing in the home at least 50 percent of the time
- a veteran who has served in the active-duty military and has been discharged or released under conditions other than dishonorable or who has re-enlisted but could have been discharged or released under conditions other than dishonorable.

Visit www.ndhfa.org for more information.

TREKKING INTO UNFAMILIAR TERRITORY

The costs associated with buying a home

Before you rush to view the hottest listings, it's crucial that you understand ALL the costs associated with your new home purchase. There's more to it than just paying off your loan! Let's dig into a few of the details.

— **Earnest Money:** Earnest money is sometimes called a "good faith deposit" and is due to the seller upon an accepted offer. Be sure you have it saved up and accessible before you start house hunting! The funds are held in an escrow account at the realty office until the transaction is finalized, at which point it will go toward your funds due at the closing.

— **Down Payment:** The amount you put down affects how much you end up borrowing, how much your monthly payment will be, and ultimately how much you pay in interest. Your typical down payment can range from 0-20% depending on the program that fits your needs.

— **Closing Costs:** Closing costs are a one-time payment due when you close your loan. Everyone's closing costs vary slightly depending on your loan amount. Closing costs include but are not limited to: appraisal fee, discount points, origination fee, title service fees, recording fees and the transferring of taxes. You can negotiate with the seller to pay some or all of your closing costs.

— **Prepays:** Prepaid items are one time charges, paid at the closing of your new home. Costs can include the premium for your first year of homeowners insurance, interest from the day of closing to the 1st of the next month, and collection for the start of your escrow account.

— **Discount Points:** You can receive a lower interest rate in exchange for paying an upfront fee that offsets the difference.

helpful hint:

Whether it's hiring professionals or handing out pizza and sodas to your buddies in exchange for their help, you still need to save some cash for those moving costs!



DIGGING INTO YOUR MONTHLY PAYMENT

Your monthly mortgage obligation is made up of several components, some of which may or may not be included in your loan payment. Your monthly payment is referred to as PITI: Principal, Interest, Taxes and Insurance. In addition, your monthly obligation could include private mortgage insurance, flood insurance, special assessments and homeowners association dues.

PRINCIPAL

The outstanding dollar amount you borrowed that is required to be paid back. This is always part of your loan payment.

INTEREST

The cost of borrowing the money. The amount you pay is determined by your interest rate and your loan balance. This is always part of your loan payment.

TAXES

The county assessor charges property taxes based on the valuation of your home. This is included in your loan payment if you have an escrow account.

INSURANCE

We will require you to carry hazard insurance or homeowners insurance, with enough coverage to cover the value of your home. This is included in your loan payment if you have an escrow account.

PRIVATE MORTGAGE INSURANCE

This insurance protects the investor if you default on your loan. Only required when you have a loan amount vs appraisal value (LTV) greater than 80% on a conventional loan. This will be included in your loan payment.

FLOOD INSURANCE

If the property is determined to be in a flood zone, we will require you to carry insurance to cover this liability. This will be included in your loan payment as you will be required to have an escrow account.

SPECIALS ASSESSMENTS

An extra tax from the city/county to pay for improvement projects that were completed in your neighborhood, such as street maintenance or sewer lines. This is included in your loan payment if you have an escrow account.

HOMEOWNERS ASSOCIATION DUES (HOA)

If your property is part of a community with an association, you may have to pay a fee for services it provides, such as snow removal, lawn care, or additional signage for the association. Any HOA dues are not part of your loan payment and will need to be paid directly to the Homeowners Association.

helpful hint:



An escrow account is like a piggy bank that sets aside your property taxes, insurance, special assessments, and flood insurance (if applicable). The account is non-interest bearing. Your investor will issue payment out of this account to the city/county assessor for your property taxes and special assessments, and to your homeowners insurance company for your premium. Every year you will receive a property tax bill and a homeowners insurance bill in the mail. These are for your knowledge and you do not need to pay them out of your pocket when you have an escrow account! But don't worry, if you forget, feel free to give us a call!

PROTECT YOUR OWNERSHIP

Title Insurance does one very important thing: protects your property rights! A Lender's Policy is required with your mortgage and an Owner's Policy is optional, but recommended. Let's look at the differences:

Owner's Policy VS Lender's Policy

These two types of policies offer protection for you and your mortgage lender, respectively.

OWNER'S POLICY

- Protects the home buyer
- A one - time fee based on your real estate purchase
- Provides protection for you as long as you or your heirs have an interest in the property
- Protects you from any previous title related issues

LENDER'S POLICY

- Protects the lender
- Usually required by your lender
- Based on your loan amount
- Only protects the lender's interests in the property
- Policy amount decreases each year and eventually disappears as the loan is paid off

(comparison credited to www.thetitleteam.com)

So, if anyone were to try and come out of the woodwork with an unrecorded deed, collections for an unpaid mortgage, etc. the title company would represent you to show when you purchased the property it was free and clear of any issues.

Abstract VS Title Insurance

Depending on the age of the home, the property may still come with an abstract. The abstract of title is a chronological document that summarizes everything that has happened with the title of the property. It starts from the time the property was first recorded as being owned and continues all the way to present day. The most important difference between an abstract and title insurance is that title insurance protects your ownership in the property and an abstract does not. If this document has been lost it is costly to rebuild, although usually at the expense of the seller.



BISMARCK • MANDAN • LINCOLN

title companies

Bismarck Title Company

207 S Washington Street, Bismarck, ND 58504

www.bismarcktitle.com

701.222.4247

Quality Title Inc

2211 E Main Avenue, Bismarck, ND 58501

www.qualitytitlend.com

701.204.6145

The Title Team

324 N 3rd Street, Bismarck, ND 58501

www.thetitleteam.com

701.223.6835

DICKINSON

title companies

The Title Team

235 Sims Street, Dickinson, ND 58601

www.thetitleteam.com

701.483.2271

Stark Title

111 2nd Street W, Dickinson, ND 58601

www.queencityabstract.net

701.483.2253

helpful hint:

If you have a specific title company you wish to work with, let us know so we can accommodate your request.

DIVING INTO HOMEOWNERS INSURANCE

Just as you have health insurance to protect yourself and auto insurance for your car, you need the same kind of financial protection when it comes to your home. After all, your home is probably the largest asset you will ever own! Sometimes called hazard insurance, homeowners insurance protects you financially in the event of damage to your home. You can insure not only the physical building but also all the contents and other structures on your property. First, though, you have to know what you own so you can determine how much coverage you need.

what's covered?

In general, homeowners insurance policies* will cover 10 basic threats, or "perils" to your home:

- **Fire or lightning**
- **Hail and windstorms**
- **Explosions**
- **Riots and civil commotion**
- **Damage from aircraft**
- **Damage from vehicles**
- **Smoke**
- **Theft**
- **Vandalism**
- **Volcanic eruption**

*Insurance rules and regulations differ across states. Exceptions may apply.

what's not covered?

There are some things you might expect to be covered by your homeowners insurance, but they actually require a rider* or a separate policy. Here are some examples:

- **Flood**
- **Earthquake**
- **Sewer Backup**
- **Mold**
- **Infestations**
- **Certain high-priced or luxury items**
- **War**
- **Nuclear accidents**

*A rider is a supplement to a standard insurance policy to cover a specific item or items. An additional premium is required to purchase a rider.

levels of coverage

When speaking with your agent, they may ask if you want cash value or replacement cost. Let's look at the differences:

- **Cash Value** - covers the market value of the home, possessions, and other structures on the property, minus depreciation.
- **Replacement Cost** - covers the cost of rebuilding the home with similar materials and replacing possessions, with no depreciation consideration.

HOMEOWNERS INSURANCE AND YOUR MORTGAGE

Carrying homeowners insurance on your new home is a requirement as long as you have a loan on the property, but whether your premium is included in your monthly payment or not is sometimes optional. If you place 20% or more down on a conventional loan, you are not required to escrow your insurance premium or property taxes.

After finding the home you wish to purchase, you should start shopping for homeowners insurance coverage. If you have a trusted insurance advisor, make sure you reach out to them to get a quote. Sending them the address to the home may help answer any questions they may have on the property.

We will be asking you the name of the agent and company you plan to use so we can obtain the information needed in order to close on your new home. We need proof you have insurance on the home with adequate coverage should something happen. The insured amount of coverage has to be 100% of the insurable value as established by your agent or include a Guaranteed Replacement Cost Endorsement.

No one wants to think about something unfortunate happening to their home, but the reality is that you need to be prepared in case of that possibility. Homeowners insurance offers that protection. Dakota Community Bank & Trust has trusted insurance agents who would love to work with you! Contact any of our local branches if you need a recommendation to a local insurance agent.

Our branches with insurance agents:

Bismarck N
701.255.9000

Bismarck Tower
701.530.9000

Dickinson S
701.483.8000

Glen Ullin
701.348.3001

Hebron
701.878.4416

Mandan
701.663.8000

New Leipzig
701.584.2075

Richardton
701.974.3000

Taylor
701.974.2101

helpful hint:

Manufactured homes and condominiums have policies designated specifically for those types of homes. If purchasing a condominium, you will need to check with the Homeowners Association to see what their insurance policy will cover. Some only provide for coverage of the exterior of the building and common areas, requiring you to purchase your own policy to protect the interior of your unit.



We're here for you!



At the end of the day, getting a mortgage really isn't as scary as it may seem. It all starts with a group of real people who are dedicated to helping others turn their dreams of homeownership into reality. Whenever you're ready to take that step toward owning a home, you can rest easy knowing you're in capable hands with Dakota Community Bank & Trust.

Have more questions about the mortgage process? Contact us any time for answers!

We sincerely thank you for letting us help you on such an important journey!

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MY HOME TOUR NOTES:

Organize your thoughts about each open house

Property Address:

Notes:

Property Address:

Notes:

Property Address:

Notes:

