



MORTGAGE

IT'S A NORTH SHORE MORTGAGE!

What does it mean when we say "It's not just a mortgage; it's a North Shore Mortgage"? It's our way of saying that we're more than just another mortgage company. In fact, we're the Duluth area's leading home lender, and offer highly competitive rates, the convenience of applying online, and the sort of personal service that wins us a 99% satisfaction rate.

So if you're interested in buying an existing home, building a new home or refinancing your existing mortgage, you've come to the right place! Our comprehensive set of mortgage calculators can help you get started. You can also visit the Duluth Area Association of Realtors website and the Northland Open Houses website for additional assistance with your transaction.

To locate a mortgage office near you, see our Locations/ATMs page or the Our Team page. You may also contact us via our secure online messaging forum for more information.

BUYING A HOME

THE LOAN PROCESS

Whether you are a first time buyer or a seasoned home purchaser, the loan process can seem overwhelming. But we'll make it quick and manageable. It normally takes about 30 days from initial application to closing. Use this site to help guide you through the process, or come in for a visit. We're available to walk you through every step of the way.

Start with Some Calculations.

Use our calculators to obtain valuable mortgage financing information.

Learn About the Types of Mortgages:

- **Fixed Rate Conventional Mortgages:**

These loans have no government insurance, private mortgage insurance or guarantees for the lender, and a loan limit up to \$417,000. Fixed Rate Mortgages are best if you have the ability to make a cash downpayment of at least 20% and prefer a fixed payment over the life of a loan.

As a general guideline, you may qualify if your monthly mortgage, taxes and insurance payment are 28% or less of gross monthly income, and total monthly debt payments, including house payments, are 36% or less of gross income. If you do not satisfy those qualifications, a larger downpayment or other strong credit factors can help you qualify.

- **Adjustable Rate Mortgages (ARMs):**

Rates typically start lower than fixed rate loans and are great for those who need lower monthly payments for the first few years, need more borrowing power, and/or want to qualify for the highest loan amount possible. You can choose an ARM that adjusts interest rate every 1, 3 or 5 years; or a 3/1 or 5/1 ARM where the interest rate is fixed 3 or 5 years after which time it adjusts every year. ARM loans are also attractive for those who only plan to stay in their home for a short period of time.

- **Minnesota Power Leased Land Loans:**

Properties on land leased from Minnesota Power can be financed using our portfolio or "in-house" products. You can borrow up to 80% of the lesser of the sale price or value of the house. You can choose from a 1/1, 3/1, 3/3, 5/1, or 5/5 ARM with various term options.

- **Jumbo Mortgages:**

Conventional loans for loan amounts more than \$417,000, Jumbo Loans generally have higher interest rates than conventional loans.

- **Insured Conventional Loans:**

Identical to conventional loans, except for a downpayment requirement as low as 3%. These loans require a mortgage insurance premium, payable monthly until the principal balance drops to 78% of the original purchase price or appraised value, whichever is less.

- **FHA Loans:**

These loans are insured by the Federal Housing Administration (FHA) and require a mortgage insurance premium at closing. They are best for those who have limited funds for downpayment and closing costs (downpayment and closing cost requirement is as low as 3.5% of the purchase price) and who are first time homebuyers or may not qualify for other loan types.

You may qualify if your monthly mortgage, insurance and taxes payment is 29% or less of gross monthly income and your total monthly debt payments, including the house payment, is 41% or less of gross income. The maximum loan amount varies among counties, with most at a maximum of \$271,050.

Mortgage Insurance: FHA requires a mortgage insurance payment at closing of 1.75% of the loan. This can be added to your loan. You also must pay a monthly premium of 1.35% of the balance of the loan for the life of the loan.

- **VA Loans (For active military and military veterans only):**

The Veteran's Administration (VA) guarantees these loans for the lender and there is no downpayment required. VA Loans are designed for those who are active military or military veterans with limited funds for downpayment and closing costs, and who may not qualify for other loan types. Terms: available with a fixed interest rate. Fees: VA requires a "guaranty" fee of 2.15% for first time use and 3.3% for second or subsequent use (lower if a downpayment is

made) payable at closing. This can be added to your loan. Maximum loan amount: \$417,000, including the guaranty fee if it is added to the loan.

- **Minnesota Housing Finance Agency Loans:**

Offered through the Minnesota Housing Finance Agency (MHFA), these loans offer below market interest rates if you meet program guidelines. They are designed for those who are a first-time homebuyer or haven't owned a home in the last 3 years and have limited income and funds for downpayments and closing costs. Income eligibility is based on the gross income of those who will live in the house. Maximum purchase price: \$237,031 for most Minnesota counties.

You may also get an interest free second mortgage to help with the down payment and closing costs. For downpayment and closing costs, up to \$5,000 is available in "entry cost assistance". If you receive HAF assistance, you can expect to repay this loan when you sell the property. No monthly payments are required.

Learn more about MHFA Loans at the Minnesota Housing Finance Agency (MHFA), website.

Get Buying Power With a Prequalify Letter

Increase your buying power with a prequalify letter from North Shore Mortgage. Get pre-qualified online or come in to one of our branches to meet with a loan expert. We can let you know if you are approved for a specific loan amount within hours. Most sellers require this assurance before they'll accept your offer. We'll e-mail, fax or mail a prequalify letter to you so you can start shopping for your new home right away!

Find It & Buy It!

Find the perfect house that fits your wants, needs and budget!

Protect Yourself

When you have found a house, many buyers make their offer contingent on a home inspection.

Final Approval

Lock in on a rate with us and supply needed paperwork. At this point we'll need a copy of the purchase agreement. See our application checklist for other documents we may ask for when you apply. Meanwhile, we'll order the appraisal and get the title to the property updated and reviewed. Once this paperwork is complete, we send it all over to your Title Company and you're ready for closing. Final approval takes about 2 weeks.

Congratulations!

After all the closing documents are signed, you are a homeowner!

APPLICATION CHECKLIST

APPLICATION CHECKLIST

What to Bring with Your Application

- W-2's for the last two years.
- Federal tax returns for the last two years.
- Pay stubs that cover the most recent month.
- Last three months' statements for checking and savings accounts.
- Names, addresses, account numbers, and monthly payments on all loans.
- Divorce decree, if applicable (to verify child support and/or alimony payments).
- Check for credit report fees.
- For self employed applicants: signed copies of last two years' Federal business tax returns and year-to-date financials.

BUILDING A HOME

THE CONSTRUCTION LOAN PROCESS

At North Shore Mortgage, we know how exciting and stressful building a home can be! We make the loan process as simple as possible so you can focus your energy on important things, like choosing the right builder.

You'll only need to close once for the two loans: The Construction Loan and the Permanent Loan.

Begin with Some Calculations

Before you work with your builder to design your new home, find out how much you can borrow and what kind of home you can build. Our Financial Calculators can help.

Choose a Housing Plan and a Builder

North Shore Mortgage requires you to have a general contractor.

Choose a Loan Type and Apply

Need help choosing a loan? Contact one of our mortgage experts, browse our Loan Types page and use our Online Form to get pre-approved. Our construction loan application process takes approximately 10-14 days at the most, but we'll work with you if you need it more quickly. See our Construction Loan Checklist for what we'll need from you at this point.

Close on the Construction Loan

Closing takes place at the Title Company's office. We send all your paperwork there so it's ready when you arrive. The closing company will call you in advance to let you know how much money you'll need to bring for the downpayment and closing costs. Remember to bring a **certified check** for that amount. The title company cannot accept personal checks.

At the closing you'll sign various documents, including HUD-1 Settlement Statement, Note and Mortgage.

The HUD-1 shows all the financial details of the transaction, including the purchase price, the loan amount, the closing costs and the total amount to be paid by the borrower. The closing costs are itemized and the title company's closer will go through each of the costs. Check them against your closing costs estimate sheet to make sure they are accurate.

The Note is the legal document that creates the obligation to the buyer to repay the loan to the lender. It will show the loan amount, the interest rate and the amount of the monthly payments.

The Mortgage is the document that gives the lender an interest in the house as security, or collateral, for the loan.

After all the documents are signed, you are ready to start construction of your new house!

Begin Construction

Once you close on your construction loan, you have 12 months to complete your home. When the footings and foundation are in place, a plat sketch is ordered from the title company. They will supply it to us.

As construction continues, the builder should give you regular invoices to sign. You then present these invoices to the title company. After the title company approves the invoices, they submit them to us. We then pay the builder for work that has been completed. You'll receive statements indicating amount paid and amount remaining.

During construction we will ask the appraiser to inspect construction progress. You pay the cost of inspections — normally 3-5 are expected during construction.

While you build, the interest rate on your loan is at a fixed rate and you only pay interest as the funds are used. You may lock in on an interest rate for your permanent loan 60 days prior to modifying to a permanent loan.

Modify to a Permanent Loan

This takes place after construction of your new house is complete, all funds from the construction loan are disbursed, and it's been twelve months or less since closing on the construction loan. At the time you sign the final paperwork, you will need to bring funds that will be deposited into the escrow account for taxes and insurance, funds for payment of any remaining interest owing on the construction loan and for payment of interest through the first of the following month on the permanent loan.

CONSTRUCTION LOAN CHECKLIST

Before final approval on the loan, we'll order an appraisal of the home. For that, we'll need from you:

- Full set of construction plans and bids
- Description of Materials signed by Contractor and Applicant
- Signed contract between Contractor and Applicant
- Signed sworn construction statement
- Purchase Agreement for land, or Warranty Deed if land is previously owned. If purchased in last year, verification of purchase price is required.
- Check for the cost of the appraisal

Once footings are in place:

- Order a plat sketch from the title company and they will supply it to North Shore Mortgage.

REFINANCING

WHY REFINANCE?

Refinancing is easy. Once you've decided it's a good time to refinance, you can apply online or call any of our mortgage originators.

There are several reasons it may be the right time to refinance your present mortgage, including getting a lower interest rate. As a general rule, if current rates are about 1% below the rate you have now, you should consider refinancing. The rate isn't the only factor to consider, however.

Consolidate Your First Mortgage and an Equity Loan: Equity loan rates are usually higher than rates for first mortgages. It may make sense to consolidate both loans to save money over what you are paying separately.

Consolidate Other Debt: Credit card debt usually carries a much higher interest rate than first mortgages, and the interest is not tax deductible. Consider paying off non-mortgage debt and reduce your taxes at the same time. Consult your tax advisor for details.

Use the Equity in your Home for Other Needs: You can refinance to get cash for home improvements, pay college tuition or to make a major purchase such as a second home or cabin.

Convert an Adjustable Rate Mortgage (ARM) to a Fixed Rate: If you have an ARM loan, you can refinance to a fixed rate to get away from variable payments. It's more difficult to calculate savings in this case due to the variable rate feature of an ARM, but combining this purpose with another purpose like getting cash out may make sense in your particular situation. Contact your local mortgage originator for additional information and assistance.

THE REFINANCE PROCESS

Figure it Out: Besides a lower rate, the most important thing is to figure out the time it will take to recover your closing costs and begin saving money. It is essential to know you will live in the house long enough to realize the savings. In most cases, you can finance the closing costs into the new loan, but it is still important to calculate the payback.

Choose the Right Mortgage Type: How do you choose the right mortgage type? See our Loan Types to help you find out.

Apply For Your Refinance Loan: Because we make all our loan decisions locally, we can let you know if you're approved within hours. We will ask for documentation of your income and your assets as part of this process. You'll also need to give us the title to the property so we can arrange for it to be updated, and we'll need a check for the appraisal so we can order that. You can apply online now.

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