FIRST MICHIGAN BANK

THE LENDING EDGE TEAM

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One of the biggest problems in the mortgage industry is the rampant abuse of Pre-Approval Letters. Too many lenders carelessly issue them. This regularly leads to Borrowers being misled into thinking they're approved for loan terms they don't actually qualify for & purchase transactions falling apart because an underwriter won't approve the loan application of the "Pre-Approved" Borrower. Below is a sample of our Pre-Approval Letter with explanations on the importance of each data point. We hope you appreciate its thoroughness!

PRE-APPROVAL LETTER

DATE: *The Credit Report is only usable for a limited time before a new one must be obtained*

Borrower/CoBorrower: *It's important to know who should/should not sign the Purchase Agreement*

The above Borrower(s) have been pre-approved under the following mortgage terms:

PROGRAM: *This is important so Borrowers know, & correct Terms are put on the Purchase Agreement*

NUMBER OF UNITS: *May affect Financing Terms* OCCUPANCY: *May affect Financing Terms*

INTEREST RATE[1]: *Changes Daily & Affects Buying Power* A.P.R.: *Required by Federal Regulations*

POINTS[1]: *Affects Rate Quote* FINANCED: *Affects PA & Mortgage Terms* %

MAXIMUM HOUSE PAYMENT[2]: $ ***What a Borrower is actually approved for, not a purchase price!***

MAXIMUM MORTGAGE[3]: $ *Estimate only. Depends on Property Taxes, Insurances, Mortgage Program & Interest Rate.*

MAXIMUM PURCHASE[4]: $ *The Borrower's Down Payment is added to their maximum mortgage amount for this.*

Comments: *Important for letting everyone know what's been verified. Items below are important for writing purchase contract.*

Seller Contribution Required? ☐ YES ☐ NO Max: ☐ 3% ☐ 6% ☐ 9%, VA ☐ 4%, NOO ☐ 2%

Clause: "seller agrees to pay (X)% towards buyers closing costs, prepaids, pro-rations and escrows."

This is not a commitment for a mortgage and is based only on information supplied by the Borrower(s) unless otherwise noted. All information will need to be independently verified prior to a mortgage commitment being extended. All terms and conditions are subject to final underwriting approval.

1. *Interest rate & fees subject to change with market conditions until Borrower signs a Lock Commitment with FMB.*
2. ***Maximum House Payment is the main limiting factor the mortgage industry uses to qualify Borrower(s).
3. Maximum Mortgage Amount is estimated based on an allowance of 25% of Maximum House Payment for property taxes, home insurance (or condo association fee) and PMI if applicable. Pre-Approval amount may change depending on actual amounts for these items and final mortgage interest rate. ***Contact us with sales price, property taxes & association fee information to verify Borrower(s)'s qualification prior to signing a purchase contract***.
4. Maximum Purchase Price is based on Borrower(s)'s down payment amount being added to Maximum Mortgage amount.

NOTE: <u>One borrower must sign below to validate this letter</u>. By signing, borrower(s) acknowledge they may incur a $300 consulting fee if this letter is used to obtain a property without obtaining financing through First Michigan Bank .

Borrower Date Co-Borrower Date

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