



Homebuyer's Guide

HOME BUYING AND THE LOAN PROCESS
FROM START TO FINISH



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Meet Your Home Purchase Team

Buying a home is very exciting, and you may have lots of questions. Luckily there are professionals ready to help you along the way; we call them the key players of the home buying process. Each of these key players will play a part in helping make your dream home a reality.

The Real Estate Agent

One of the most important key players in the home buying process is the real estate agent. The real estate agent's job is to listen to your needs, and help you find exactly what you are looking for in a home. The agent will compile a list of properties that match your specific criteria and will provide objective, useful information on each of the properties to help you make an informed decision. When you are ready to make an offer, they will help negotiate price and give insight on market trends so that you can make a reasonable offer. In addition, the agent will arrange inspections, help you understand important paperwork, and stay up to date on pertinent timelines. They also may be able to recommend other professionals to help you throughout the home buying process. For most people buying a home doesn't happen every day, but real estate agents handle these transactions all the time, so take advantage of their knowledge and experience.

Highlight: 5 Tips for Finding a Great Real Estate Agent

#1. One Size Does Not Fit All

Have you ever been to a retail store that sells clothes that are "one size fits all?" And how did they fit? The truth is that one size does not fit all, and this is especially true when it comes to real estate agents. You need someone that deals specifically with homes in your price range. It is also helpful to have an agent who actually listens to your ideas when it comes to what kind of houses you are looking for. The process will be more efficient for everyone if you pick someone that meets these goals.

#2. Observe them in their natural habitat

Picture this: you walk into an open house and the agent is sitting on the couch head down in their smart phone. They glance up when you walk in and shout a quick hello. I'm pretty sure this is not the type of interaction you want potential buyers to have with your agent, and you probably would want someone more enthusiastic about selling homes. To avoid something like this, attend open houses to get a feel for different agents. You will be able to see their style, how they present themselves as well as the home. This will help you decide who will fit best with your transaction.

#3. You can get by with a little help from your friends

Ask for referrals from friends, read customer testimonials, and search for web reviews. However, don't trust all web reviews as they could be sponsored by the real estate agents themselves.

#4. Check out their website

If they have a personal website, this will give you a good idea of how they choose to market themselves. If their website seems like it is lacking content, (contact information, a welcome introduction, a picture etc.) they may not be the best choice. If it is disorganized and hard to navigate, it might be a clue as to how your experience with them would be.

#5. Ask good questions

You don't want amateur hour when it comes to buying or selling your home, you want to work with a professional. Ask the right questions to get a feel for who they are and how they conduct their business.

- How long have they been in business?
- What kind of services do they offer?
- Traditional full-service, or a la carte?
- How many homes did they sell in the past year?
- What is their commission?





The Loan Officer

The loan officer you work with will be responsible to help you attain the best possible rate and terms on your mortgage. They will help you get pre-qualified, which will determine how much you can borrow, and how much home you can afford. Before you make final decisions, they will explain all loan options. In addition, it's their job to collect all necessary documents from you to help fund your loan. Your moving status is contingent upon completion of the loan process.

The Insurance Agent

Before any lender will fund your loan, they will need to see proof of your homeowner's insurance policy. This policy will protect your home in case of fire, theft or any other unforeseen damages. Your insurance agent will ensure that you are completely covered to your lender's standards. Homeowner's insurance requirements differ in each area, so the insurance agent will help you find the best fit for your needs. They will be available to you even after the home buying process is complete.

The Title Officer & Settlement Agent

In MOST cases, these two people work for the same company, and although many believe that their roles are one in the same, their duties are different. The title officer deals with issues relating to the title or deed of the home. Their task is to make sure that there are no discrepancies that will get in the way of the sale. Discrepancies may include (but are not limited to) overdue taxes, zoning restrictions and liens. In the case they do run into issues, they will contact the seller to find out the accuracy behind their findings.

A settlement agent is an objective third party that is involved in the real estate transaction. They take care of notarizing and signing the final loan documentation. In addition, they collect any other paperwork that has to do with the sale of the home and ensure completion of all requirements from each party before any money transfers hands. The settlement agent will also notify the county of the new property owner.

The Home Inspector

This person will inspect the home for damages or issues that need to be fixed; could be mold, pests, structural damage etc. It's highly advised that you have the home inspected by a professional, but it's not mandatory. This step is critical because the outcome of the inspection will determine whether you move forward with the transaction, or stop and re-evaluate the terms of the sale.

The Appraiser

The appraiser is responsible for estimating the market value of the home. There are certain criteria that they use to estimate the value, such as measuring it against similar homes in the area. Some lenders require more than one appraiser's estimate.



PREPARING FINANCIALLY: The Preapproval & Finding Your Dream Home



Examine your financial situation

First you'll want to take a look at your current financial situation, and see where you need to make preparations. Examine your monthly income and expenses, check out your savings account, and take a peek at your credit report. Do you already have enough for a down payment? Down payments can range from 3% to 20% of the loan amount, so make a plan and set a time frame to save for this.

Here are some of the other costs to consider when buying a home:

- Settlement fees
- Appraisal fee
- Home inspection fee
- Home insurance
- Lender fees
- Mortgage points
- Other various fees
- In some cases, private mortgage insurance or mortgage insurance premium

Take a peek at your credit report

If it's been a while since you've last seen it, it's a good idea to check your credit report with the 3 credit bureaus: Equifax, Experian, and TransUnion. Your loan officer will factor in your credit score when determining how much you are qualified to borrow. The insurance agent will consider your credit history as well. It's in your best interest to clear up any errors that may appear on your credit reports as soon as possible.

Getting Pre-Approved

Once you have evaluated your financial situation, and have a rough estimate of what you think you can afford for a monthly mortgage payment, it's time to get pre-approved. Getting pre-approved before you start searching for your dream home is critical because the pre-approval will determine, based on your credit and income, if you qualify for financing, and for how much. Additional benefits include:

- Sellers prefer to work with pre-approved buyers because they have already demonstrated their ability to obtain home financing. This will give your offer on a home an advantage over other buyers.
- In the eyes of a real estate agent, a pre-approval signals that a borrower is well-qualified and serious about purchasing a home. The higher chance they have of closing a deal, the harder the real estate agent will work and the more attention you will receive.

To get pre-approved, your loan officer will make a thorough investigation into your credit history, credit score, assets, liabilities, income, etc. Try to provide as much information as possible to the loan officer so they can make the best assessment of your financial situation. The loan officer will look at your credit report, and will ask for more information, if needed.

Your debt-to-income ratio will be a key factor when determining how much you can borrow. The debt-to-income ratio is the percentage of personal debt you are carrying in relation to how much you earn. Generally speaking, the ideal ratio is 36% and below, anything over this may be seen as risky. There are various exceptions to this 36% rule, so if you are looking at your monthly income and expenses and have become concerned, speak with a loan officer before taking yourself out of the ring.

A Pre-Approval Is Not A Guarantee.

It's important to note that a pre-approval is not a guarantee that you will be approved for a mortgage for the home you have chosen; it's conditional on the appraisal of the property. Also, if your financial situation changes, (loss of employment, major purchase, run up of credit card bills, etc.) the loan officer will have to reassess your situation and recalculate your maximum loan amount.

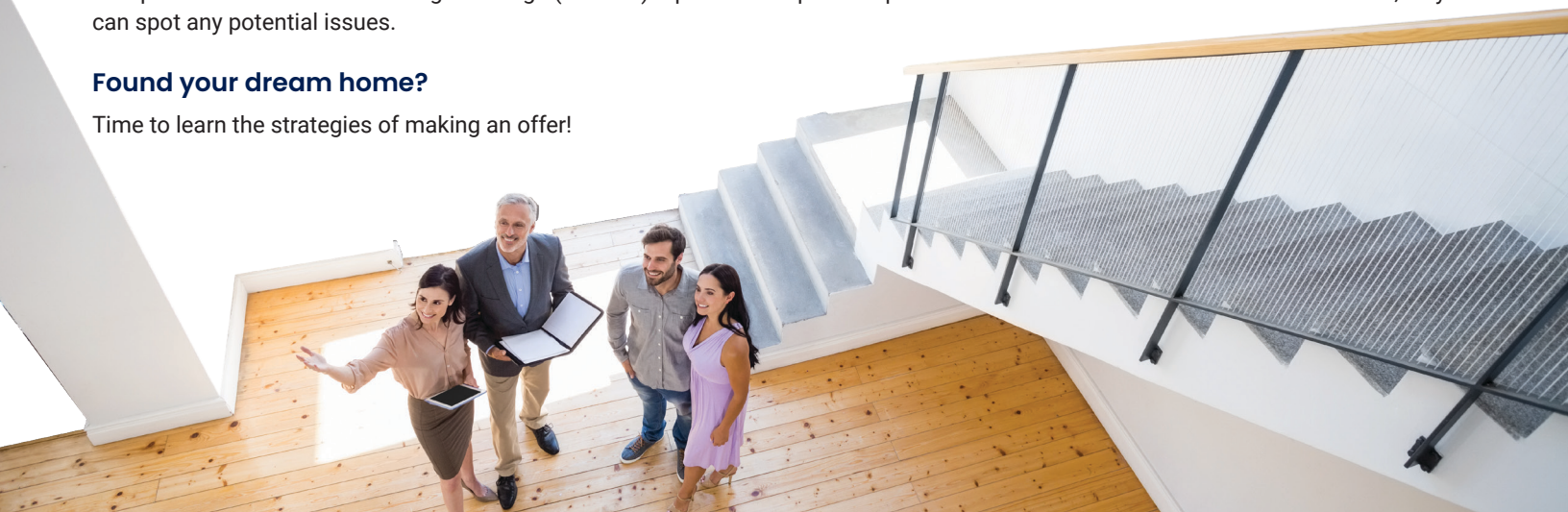
Dream-Up your Dream Home

It's time to imagine the ideal home. Is it in the sunny suburbs or is it in a lively downtown area? How many bedrooms does it have and what kind of commute do you want? Is there a pool in your future? The more details you provide your real estate agent, the easier it will be for them to find something that fits your lifestyle.

When looking at homes, inspect them closely, and write down details so you can remember. Find out how old the home is, if the electrical, plumbing and heating are up to code, what the crime rate is in the area, how neighboring schools perform, the condition of the roof, the distance to shopping centers and freeways, etc. Some of these factors will play a role when it comes to getting home insurance, so if there is a home you are strongly considering, it's a good idea to ask to see the current homeowner for the Comprehensive Loss Underwriting Exchange (C.L.U.E.) report. This report will provide a record of insurance claims on the house, so you can spot any potential issues.

Found your dream home?

Time to learn the strategies of making an offer!



Make Your Dream of Home Ownership a Reality



How much mortgage can you afford each month?

The first step to turn this dream into a reality, is to determine how much you can afford each month. The magic number, according to industry guidelines, is 28%, as in, it's healthy for 28% of your income to be spent on your monthly mortgage payment. The chart below serves as a guide. At this point, it'd also be beneficial to take a look at your current income and expenses, and see if this payment fits in your budget.

Annual Income	Monthly Payment
\$20,000	\$467
\$25,000	\$583
\$30,000	\$700
\$35,000	\$817
\$40,000	\$933
\$45,000	\$1,050
\$50,000	\$1,167
\$60,000	\$1,633
\$70,000	\$1,633
\$80,000	\$1,867
\$90,000	\$2,100
\$100,000	\$2,333

Get Pre-Approved

The next step to make the dream of home ownership come true, is to find out how much you are eligible to borrow. Request a pre-approval letter from a lender, who will look at your credit history, assets, income and liabilities. The lender will give you the golden number. Having this number will help you shop for a home in your price range, and it will communicate to sellers that you are a serious buyer.



Top 10 Don'ts During The Home Buying Loan Process

Make sure nothing gets in the way of achieving your home financing goals. Some DON'Ts may seem obvious, but others not so much. Check out this list to make sure you avoid the Top 10 DON'Ts during the process of buying or refinancing.

01

Don't: Co-sign on any debt with relatives or friends.

Why? This impacts the home buyer's purchasing power and debt-to-income (DTI) ratio. Cosigners are responsible for the debt if the primary borrower defaults and that debt is considered when determining how much home the buyer can afford.

06

Don't: Apply for new credit in any form, or apply for credit to consolidate.

Why: Hard Credit Inquiries recently opened accounts can adversely affect your credit scores and impact your DTI, depending on your situation.

02

Don't: Transfer money between accounts, unless receiving complete documentation from your bank itemizing all transfers.

Why? This is a risk management issue. Lenders typically find large, undocumented deposits made during the mortgage process suspicious.

07

Don't: Have a friend or relative pay for anything related to the purchase of the home; including appraisal, earnest money, down payment, etc.

Why? Gifts are only allowed under certain guidelines.

03

Don't: Withdraw or deposit large sums into your checking or savings accounts unless absolutely necessary.

Why? Similarly to #2, lenders are obligated to scrutinize the source of funds and may find cash not present during the pre-approval process suspicious.

08

Don't: Keep cash in a safe or overseas account if you plan to use these funds as a down payment.

Instead: Inquire about how and when would be the best time to put your funds into your U.S. bank account if needed.

04

Don't: Make any career moves.

Why? Most lenders require two years with the existing employer to approve lending. If a borrower jumps from employer to employer, the lender may feel there is an increased risk of default and increase the interest rate or deny funding outright.

09

Don't: Close credit card accounts.

Why? If you close a credit card account, it may appear that your debt ratio has gone up.

05

Don't: Allow your bank account balances to go into the negative, even if you have overdraft protection.

Why? Overdrawing basic bank accounts may raise concerns about the borrower's ability to make the mortgage and/or cover unforeseen home expenses and home ownership expenses that may arise.

10

Don't: Give your personal information to anyone else who might run your credit report.

Why? Credit inquiries may hurt your score.

Homebuying Process Flowchart

YOUR HOME BUYING PROCESS STARTS HERE!

STEP 1 : Get Pre-Approved for a Home Loan

A pre-approval shows you how much you can afford so you can narrow down your home search.



Start Home Hunting with
your Real Estate Agent



Dream Up Your
Dream Home



Make an offer on
your dream home



Negotiate Price & terms;
and get your offer accepted!



Choose & apply for
the right home loan



Sign loan &
closing documents



Negotiate any
needed home repairs



Coordinate appraisal
and home inspection



READY TO MOVE IN!



Making and Accepting an Offer



Once you have found the home of your dreams, it's time to make an offer. The official offer is a written proposal, or purchase contract, that identifies the buyer, the seller, the property address, and the brokers. It also includes the purchase price, down payment, loan amount, deposit and terms of conditions.

Because the purchase contract must conform to state and local laws, and potentially certain provisions in your area, your real estate agent will prepare the document on your behalf.

There are three potential outcomes when making an offer: the seller accepts the offer without any modifications and it becomes a binding contract, the seller counteroffers, or the seller rejects the offer and no deal can be made.

Do Your Homework Before Making an Offer

To ensure that you are making the right offer, one that the seller will likely accept, it's best to do some research beforehand. If you feel there are potentially many homebuyers interested in the property, conduct your research quickly, and get your offer in before it's too late.

1. Find out why the seller is selling, if you can. This will reveal what kind of situation the seller is in; do they want to get out quick, or can they afford to wait for the ideal offer? This may be hard to find out as the listing agent will likely not want to divulge this information.
2. Analyze the market; is it a buyer's or seller's market? If it's a buyer's market, there will be fewer competing offers and a higher likelihood that the seller will be flexible on price and terms. If it's a seller's market, the seller can get choosy with price and conditions and will probably be entertaining multiple offers.
3. Ask your real estate agent for a comparable market analysis (CMA). This is a report that compares properties similar in configuration, age and location to the home you want to buy; use this to gauge what price to offer.

4. Analyze the list-price-to-sale-price ratio of homes sold in the last six months. Your agent can provide this report. Take a look at the numbers, are homes selling for more than their list price or less? The seller will likely do this as well and will expect the same differential from offers.
5. Determine the number of days the home has been on the market. The longer a home has been on the market, the more flexible a seller may be in terms of price and conditions. Keep in mind that it's possible the selling agent took the listing off the market and then resubmitted it as a new listing to keep it looking fresh and new.

What's in an Offer?

Here are the basics that are included in an offer:

- Property Address
- Sale/Offered price
- Seller's promise to provide clear title (ownership)
- Method by which real estate taxes, rents, fuel, water bills and utilities are to be adjusted (prorated) between buyer & seller
- Provisions about who will pay for title insurance, survey, termite inspections, etc.
- Type of deed to be given
- Other requirements specific to your state, which might include a chance for attorney review of the contract, disclosure of specific environmental hazards or other state-specific clauses
- Various conditions/contingencies
- Terms

There are a few items in the purchase contract to which you want to pay particular attention.

Include a Home Inspection Condition. It's wise to make an offer conditional upon a professional home inspection, which most often happens during settlement. If a home inspector finds structural damage or some other major issue, you will be able to back out of the deal, or oblige the seller to fix it. However, the professional inspection should not prevent you from doing your own investigating. Include a provision that will allow you to do a walk through one last time and inspect the property before closing. Test out every appliance, and check the sink and faucets for any unforeseen leaks.

An earnest money deposit will be included with the offer. The earnest money may be a check, cash or a promissory note.

The clock is ticking, so a time limit is usually set for responding to the offer, obtaining financing, closing the deal, and moving in. You and the seller will agree on a closing date, often between 30 and 45 days from the signing of the contract.

One common contingency is the requirement for a buyer to obtain specific home financing from a lending institution. In the case that the loan can't be obtained, the buyer will not be locked into the contract.

Outline anything extra that you want included in the purchase such as appliances, furniture, drapery, etc. Add fixtures to be on the safe side, along with anything else, because if it's not in the contract, it's not part of the deal and the seller is free to take these items.

Counteroffers

So let's say that in general the seller finds the offer suitable, but doesn't like the proposed sales price or the requested closing date. You will probably receive a written counteroffer explaining the changes the seller would like to see made before they will accept. You can accept, reject, or make another counteroffer (this is where negotiating comes in).

Every time either party makes a counteroffer, the other side is free to accept, reject, or counteroffer once again. The offer does not become a binding contract until one of the parties officially signs the contract.

Withdrawing an Offer

If for whatever reason, maybe you found a better home or upon a home inspection needed repairs were found that the seller doesn't want to cover, you can withdraw your offer. If you withdraw before the offer has been accepted (technically still in negotiations), the usual process is to have your real estate agent draft something up to send to the seller's representative, and that should be that.

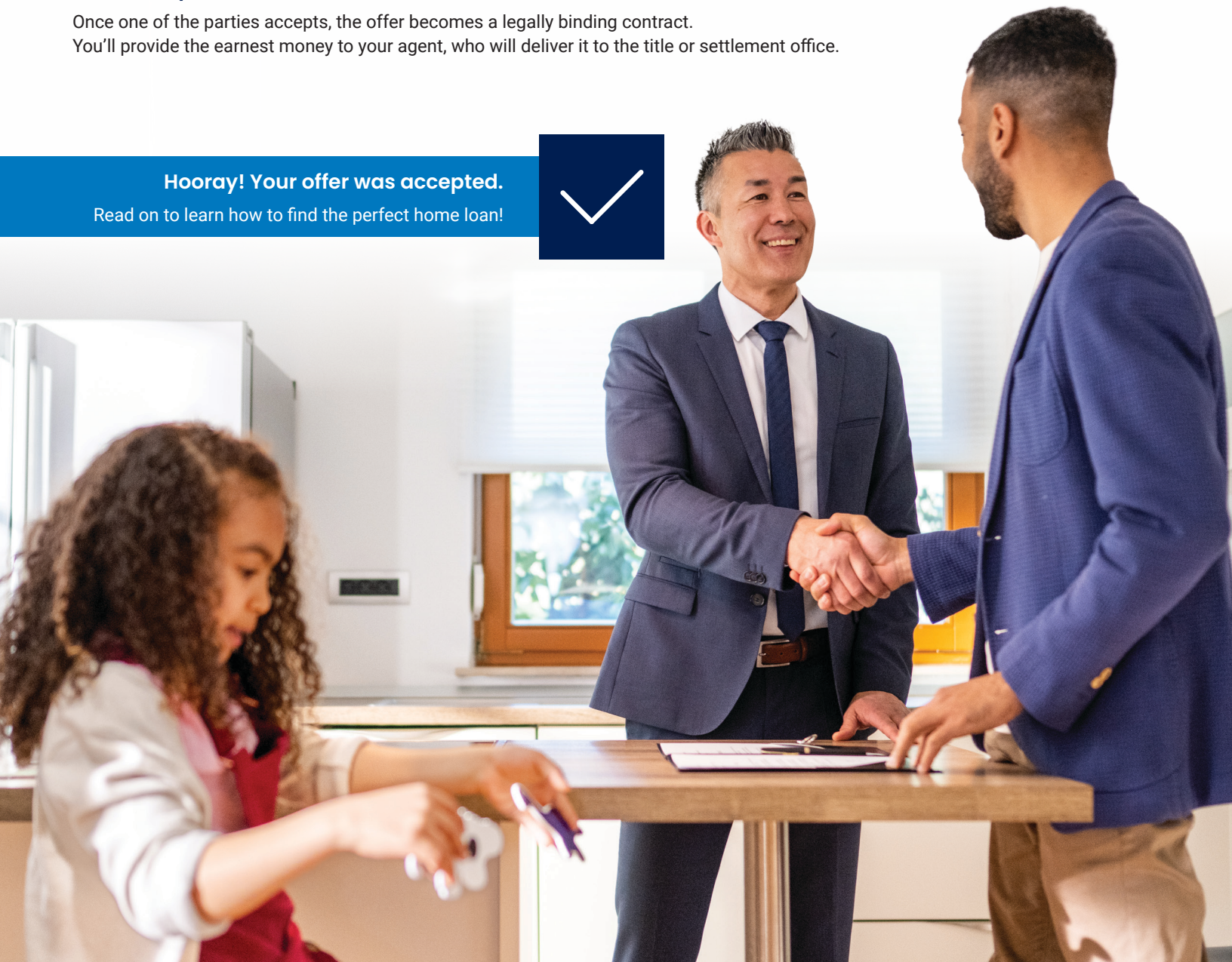
If you withdraw after the purchase contract has been signed, it gets a bit tricky. Depending on the time frames, and the contingencies and conditions stated in the contract, you may face losing your earnest money. In this scenario, it's wise to have an attorney take a look at the contract and help you navigate through this process.

Offer Accepted!

Once one of the parties accepts, the offer becomes a legally binding contract. You'll provide the earnest money to your agent, who will deliver it to the title or settlement office.

Hooray! Your offer was accepted.

Read on to learn how to find the perfect home loan!



Opening Title and Settlement

Opening settlement involves going to the settlement or title company and handing over a deposit. This deposit, or earnest money, is the good faith check that is given by the buyer at the time the purchase agreement is signed. Anyone involved in the transaction is able to open settlement-buyer, seller, real estate agent or lender, however if the buyer is represented by a real estate agent, they will usually open settlement because they will be holding the good faith check from the buyer. Once settlement is opened, it will be assigned a number and a settlement agent to assist you.

In addition to handling the earnest money, the settlement agent's job is to ensure that all conditions are met before settlement closes. Whoever opens settlement will need to give the settlement agent instructions about the transaction, and explain what conditions need to be met before any money can change hands.

Simultaneously, the title officer will be preparing to change ownership of the home, investigating any liens against the property as well as arranging the title insurance policy.

The length of a settlement depends on the mortgage lender's timeline, in other words, it's contingent on how quickly the lender can fund the buyer's loan. So although the buyer and seller may have agreed on a closing date, it may end up changing. The lender and the settlement agent will organize the disbursement of funds, the closing date, and the distribution of the money from the sale. The closing process varies from state to state and can even vary within a state, due to differing requirements.



Inspecting the Property & Resolving Inspection Issues

Home inspections are a very important part of the home buying process. They occur after the purchase agreement has been signed because, in most cases, the purchase agreement will contain a home inspection condition. The home inspection condition will allow the buyer to back out of the transaction after the home has been inspected by a professional should any serious issues arise. Home inspections are not a requirement everywhere, but they are **HIGHLY** suggested!

The buyer is in charge of hiring a home inspector to come out and survey the property. Your real estate agent can usually recommend home inspectors. The home inspector will be looking for anything out

of the ordinary or anything that seems lackluster. They will examine the structure of the home, plumbing, electrical, appliances, the roof, the garage, the exterior of the home and property and the ventilation systems. The home inspection report will let you know if there are issues with any of these elements. A home inspection will run somewhere between \$300-\$500, depending on location.

In the case there are issues to resolve, which is almost always, then you will need to decide how you want to deal with them. Commonly the seller will be asked to lower the sales price, fix the issues before closing, or provide credit towards the buyer's closing costs. You and your agent will put in writing what needs to be fixed, how you would like it to be handled, and present it to the seller and their agent. The seller will then agree or disagree to the terms or provide a counteroffer. If you have a home inspection condition in the purchase contract, the buyer will be able to back out if something major is found.

The Basics of Homeowner's Insurance

When buying a new home, the mortgage lender will require proof of homeowner's insurance coverage. A homeowner's insurance policy is a package policy covering:

1. Any damage to your property, your belongings in it, and provides financial protection against certain disasters.
2. It also provides personal liability protection for claims resulting from bodily injuries and property damage to others caused by an accident on your property or your personal activities elsewhere.

Homeowner's insurance is definitely a cost you want to consider when buying a new home. Policies and protections differ, so you want to be sure to find the right protection for your home at a reasonable price. The right policy for you will depend on your home, and how much coverage you feel is necessary.

Types of Insurance

When it comes to homeowner's insurance, there are several basic forms to choose from; each offers a different level of coverage. Homeowner's insurance policies may name the specific perils they cover, and may also exclude certain perils. There is usually a deductible when filing a home insurance claim, unless otherwise noted in the policy

A Look at the Homowner's Declaration Page

The typical homeowner's insurance declarations page is broken down into two major parts:

1. Home Insurance Property Protection
 - **Dwelling** — covers your home, attached structures, built-in appliances, plumbing, heating, installed airconditioning systems, and electrical wiring
 - **Other Structures** — covers detached structures such as sheds, garages, fences, driveways, patios, etc.
 - **Personal Property** — covers your personal belongings inside your home
 - **Loss of Use** — covers some living expenses should you be living elsewhere while repairs are being made
2. Home Insurance Liability Protection
 - **Personal Liability** — covers your financial loss should someone sue you or your family members for bodily injury or property damage
 - **Medical Payments** — provides no-fault medical coverage should a friend or neighbor be injured in your home

All in all, when looking for the homeowner's insurance policy that suits your needs, you'll need to consider what you want to cover, from your personal belongings to earthquakes, how much coverage you feel you need, and talk to your insurance agent to find the right policy match.



Choosing the Right Home Loan

Loan officers are the go-to for help when examining your different home loan options. While you might not know everything about mortgages, there are some questions you can ask yourself that will help point you in the right direction. Providing the "answers" to these questions to your loan officer, will help them identify your goals, and ensure that you choose the best mortgage for your needs.

1. How long do you plan to stay in your home?
2. Where are interest rates heading?
3. Is your goal to build equity in your home?
4. Do you see your financial situation changing in the next couple of years?
5. Do you mind taking on a bit of risk and change, or prefer predictability?

How long do you plan to stay in your home, how do you feel about risk, and where do you see yourself in the future?

If you plan on staying in your home seven years or less, then an Adjustable Rate Mortgage (ARM), also known as a flexible or variable rate loan, may be a viable option for you. ARMs often offer an extremely low introductory interest rate that lasts for a fixed amount of time, commonly 3, 5 or 7 years, and then the interest rate "adjusts" to market rates.

The main benefit for many when choosing to go with an ARM, is the low initial interest rate and monthly payment. If you expect to earn more money in the future, but are not yet where you would like to be, this takes some pressure off until you reach your financial goals, and still allows you to buy a home.

However, practice some caution as one drawback is that more than likely the interest rate will fluctuate and adjust to market rates after the fixed introductory period has ended. This means your rate could increase dramatically, thereby increasing your monthly mortgage payment.

If you're the committed kind and plan on staying for 10 years or more, a 10 Year ARM or a 15, or 30 Year Fixed Rate Mortgage may be worthy options.

With Fixed Rate Mortgages, you can rest assured that regardless of the financial market, you will be paying your agreed upon interest rate and mortgage payment specified in your contract. Most of the time with Fixed Rate Mortgages, you have a higher interest rate relative to market interest rates, as the lender must offset the fact that market interest rates might increase.

What would be a good option to build equity in your home?

To build equity in your home, some good choices would be a 10, 15 or 20 year fixed rate mortgage. You'd pick this type of mortgage because it allows you to build the equity in your home faster than other mortgage products available. Every month as you make your payments you increase your equity. As you owe a little less, you own a little more. When you build equity, you are increasing the net value of your asset (equity) and are increasing your net worth.

Do you expect interest rates to dramatically change in the near future?

Do a little bit of research, and depending on what you find, this may help when choosing a loan. Also talk to your loan officer about the market and get their insight. If you think rates will increase, it might be a good time to get in a 30, 15 or 10 Year Fixed Rate Mortgage before this happens.

If you think interest rates are going to fall, you might consider a short term ARM for now, and then try taking advantage of the lower rates down the road.

Loan Estimate and Disclosure

As soon as you have completed the home loan application with your loan officer and submitted it for approval, you should expect to receive the following important documents, to which you should pay extra special attention:

1. A Loan Estimate
2. Mortgage Servicing Disclosure
3. Other Disclosures
4. Closing Disclosure

Loan Estimate

A Loan Estimate (LE), which you will receive within three days of completing your loan application, will explain the basics of your loan including your closing costs and loan terms. This document will help you fully understand your mortgage transaction; it will break down the potential costs associated with the loan you applied for. Although this is just an estimate, by law it must be a good faith estimate, and reasonably similar to the actual costs incurred at closing.

The Loan Estimate discloses the projected monthly payments as well as the APR. Don't be alarmed if the APR is higher than the interest rate; this is normal as the APR also includes any points or other fees you may be paying.

The finance charge is the estimated sum of: interest payments made during the life of the loan, the amount of interest paid at closing, the origination fee, and any other fees you paid to the lender.

The total of payments is the estimated total amount you will have paid on the loan, assuming you make the regularly scheduled mortgage payments, including: the principal, interest, pre-paid finance charges and mortgage insurance (if applicable).

Fees can change from one lender to another, and so can interest rates. The LE is great to use when shopping for a loan. While one lender may offer a lower interest rate, another may be able to offer a comparable interest rate, plus lower closing costs. For example, use the LE provided by each to compare.

Mortgage Servicing Disclosure

This is a statement notifying you, the borrower, that the lender may or may not sell or transfer the servicing rights of the loan. In the case that the servicing rights will be sold, you may be dealing with a different lender when making your monthly mortgage payments.

Closing Disclosure

You will receive a Closing Disclosure 3 days prior to signing your loan documents. Use this time to review the terms of your loan and ask questions if there is something that you do not understand.

Other Disclosures

In addition to these important documents, you will also be receiving a number of different disclosures throughout the loan process including, explaining that you have the right to obtain a copy of the appraisal, a disclosure about your credit report, and a disclosure you must sign confirming that you will be occupying the home.



Locking the Mortgage Interest Rate

A mortgage rate lock protects you from market rate fluctuations while you wait for your loan to be approved, processed and funded. A mortgage rate lock, also called a mortgage lock-in or rate commitment, secures or "locks" in a certain interest rate and points for a specified amount of time.

Therefore, as you shop rates among different lenders, don't rely on the interest rate and terms the lender quotes, unless the lender is willing to offer a lock-in. A mortgage rate lock is the only guarantee that you will receive these terms at the time your loan is approved.

Does a rate commitment expire?

Usually a lender will commit to a mortgage rate lock for a specified amount of time, anywhere from 30, to 60, to even 120 days. Ask your loan officer how long the loan will take to process, then you can gauge whether or not the lock-in commitment time is sufficient until your loan is approved and closed.

This is one reason why it's crucial to provide your loan officer with all of the required documents to approve your loan quickly, because if the lock expires, the interest rate and points are no longer guaranteed, and the lender will likely offer the loan based on current interest rates and points.

Is there a fee to lock-in the interest rate and points?

This is a good question to ask your lender, as some charge, while others do not.

What happens if interest rates decrease?

Yes, it's true that a mortgage rate lock can prevent you from taking advantage of falling interest rates, but if you already have a good deal, then stick with it.

Appraising the Property

Appraising the property is yet another integral step in the home buying process. An appraisal determines the market value of a home. The lender will require an appraisal prior to officially approving any loan. Therefore, the lender will be very proactive about ordering the appraisal early on in the loan process. In fact, you will usually pay for the appraisal up front applying for a loan.

Unlike a home inspection, the buyer is not present for the appraisal and will probably not have any contact with the appraiser. Appraisals are usually done through an appraisal management company. This ensures that they are a third party to the transaction and will give a fair estimate of the value of the home. The appraiser provides information that helps the buyer avoid overpaying for the property, but their real job is protecting the lender. The lender will take a good look at the appraisal to decide if the property is adequate security for the loan they are about to fund.

When the appraisal report comes back it will detail any major problems, but is not all inclusive like a home inspection. The appraisal report will let you know how much the appraiser finds the property to be worth. If the appraisal of the property comes in lower than the sale price, the lender will probably deny the loan. This is because the lender does not want to fund a loan that is considerably more than the property is worth. However, the game is not over! There are certain measures that may be taken in order to acquire the loan:

- The seller agrees to reduce the price
- The buyer is able to make a reasonable down payment, therefore not borrowing as much from the lender
- Repairs can be made to increase the value of the home

These actions will increase your chances of getting approved for the loan.

Underwriting and Home Loan Approval

Underwriting is the core process involved in being approved for a mortgage. Once the appraisal report comes in, your loan officer will submit your file to underwriting. To ensure a timely and smooth process, your loan officer will make the file easy to understand for the underwriter.

The underwriter is in charge of reviewing your file against the conditions of the loan program you have selected. They will confirm that all information included is accurate and seems plausible. In addition, they will verify income, debt, past rent, employment and other factors to decide if you are a good credit risk. Their decision will also weigh heavily on the appraisal report.

If your loan officer has done their job to their full potential, everything should be relatively easy. By the time the underwriter receives the file, it has already been processed through an automated underwriting machine. This machine will give an idea of what conditions need to be met prior to closing. The underwriter will use the report from the automated machine as a guide, but it is still necessary for them to go through every detail themselves.

Receiving the Approval

After delving deep into every aspect of the file, the underwriter will then give the file one of four fates:

Underwriting & Home Loan Approval: The Four Fates of Your File



Denied

The underwriter does not feel that this person is a good credit risk and they are not qualified to receive funding from their institution. This is very rare if the loan officer has done their job up until this point.



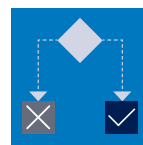
Approved with no further conditions or questions

This is a rare outcome as well, because an underwriter's job is to thoroughly question the file in front of them – but it does happen.



Suspended

This means that the loan is not approved in the current package due to questions that remain to be answered. It is assumed that if these questions can be cleared up, the loan will be approved.



Approved Conditionally

This is the most common outcome and means that everything is good to go as long as you meet certain detailed conditions prior to closing.

The Conditions Behind The Loan Approval

Once your home loan is approved, the underwriter will inform you that the loan is approved, however, based on a few conditions. It's important to understand that this approval will eventually expire, along with your rate lock, so you want to get moving to satisfy all of the conditions listed. Conditions fall into two categories: "prior to documents" conditions and "prior to funding" conditions.

"Prior to Docs" or "Prior to Documents" conditions

These conditions are usually the most important, as they are created because the underwriter must make sure that you, the borrower, qualify for the loan. Therefore the underwriter may require more income documentation, verification of employment, rents, deposits, as well as appraisal and title commitment. The underwriter will let your loan officer know what documents are needed to meet these conditions and your loan officer will work with you to get these documents together. The loan documents cannot be ordered until these conditions are satisfied.

"Prior to Funding" conditions

These are documents that must be delivered to the underwriter before the funds are issued. Typically these are conditions that the underwriter believes will be easy for the borrower to meet, thus they are not required to order the loan documents. They tend to be reserved for procedural matters and are taken care of by the settlement agent and loan funder.

Ordering, Delivering, and Signing the Loan Documents

Once your loan officer gathers all of the needed items to satisfy the "prior to docs" conditions, the loan processor will organize and submit the documentation to the underwriter, and the underwriter will sign off that these conditions have been satisfied (may take a few hours to a few days). Now either the loan officer or processor can order the loan documents!

The loan documents will be reviewed by the lender and then delivered to the settlement agent. From there the settlement agent will do their part to put the loan documents in their final form, adding information such as payoffs, taxes and prepaid interest due, etc.

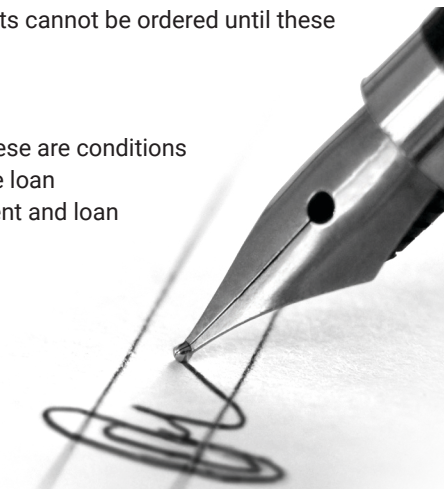
Signing Your Docs

Once the settlement agent has put the loan documents in their final form, they will reach out to you and the seller to arrange signing appointments. This appointment is the "closing" of your loan. However, as you know now, once you sign, your loan is not closed as the "prior to funding" conditions must still be satisfied for funds to be issued.

Often lenders will send the documents directly to you through a mobile notary, this makes it easier for all parties to sign the documents quickly. You will receive an initial Closing Disclosure at least 3 days prior to settlement. Use this time to review the terms of your loan and ask questions if something is unclear.

At your closing appointment, you will also receive the final Closing Disclosure, which will show all of the costs associated with the loan. You have the right to request the final Closing Disclosure before closing so you can review it and compare it against the Loan Estimate.

After you sign the documents, the settlement agent will send them back to the lender along with the "prior to funding" conditions such as proof of insurance.



Funding Your Loan

The lender will receive the documents and forward them to the funding department. As long as all checks out, ie all of the documents are signed correctly and the underwriter signs off on the "prior to funding" conditions, the funder department will wire the funds to the settlement company and your loan is complete! Keep in mind that this can take up to a few days; find out from your loan officer how long it will take as it must fund on the day that is specified in the home purchase contract.

Moving Into Your New Home

The day has finally arrived! You've gone through the arduous steps of buying a home and now it's time to move in! It's customary that on the day your loan is funded, you will receive the keys to your new home as well. While you should be very excited about moving in, we all know "the move" can have its issues unless you take the right steps to keep it as painless as possible.

So let's talk about a few things to consider when planning your move.

Moving and Packing

- Do you need long distance movers or just local movers? Either way you will want to have a moving company in place about 4 to 8 weeks prior to the move.
- About a month before the move, you need to decide whom you need to notify of your move, and don't forget to set up a forwarding address with your local post office.

Design and Decorating

Another fun part about buying a new home, is all the new ways you will get to design and decorate it. How does this relate to moving? Well, depending on the look and feel that you want, as well as the space your new home offers, there may be a few things you want to get rid of before you even move. If you find you have a bunch of stuff that you no longer want, consider donating to charity, having a garage sale, or dispersing to family members.

