How does the mortgage process actually work?

SUMMARY

1. **Application**
2. **Pre-Approval**
3. Property Appraisal
4. Underwriting
5. Final Conditions
6. Loan Documents
7. Closing
8. Lender Review
9. Money Transfer
10. County Recording
11. Here's Your Keys

The Application

All about your ability to repay the loan

Two of Everything! When we gather all the information for the decision-makers to see, we want TWO! We need 2 years of residence history (including addresses and proof of housing payment) and 2 years of employment history (including the name, address, and phone number with income amount.) We need to know where your down payment—if you have one—is coming from (need 2 months of bank statements to show accumulation of funds, or proof that you have the assets in your possession.) We need to see 2 years history for proof of income, (2 years of W-2's and 2 pay stubs.) If you are self-employed, 2 years of your tax returns, and 2 years of business licenses.

We will determine a "Good Faith Estimate" of your fees and the total cash to close your loan at this time. We charge only "hard costs" on loans. Many lenders utilize "junk" fees for additional revenue, trying to make money for the lender\loan officer. They give these fees creative names to make you think they are paying someone else.

We are trying to make "Raving, lifelong fans," and want help you with all your future mortgage lending needs. Some lenders are just trying to make all their money on this deal because they assume you will not return to them.

Pre-Approval

Be the strongest buyer possible

When you submit an offer, you want to look like the most qualified buyer in the stack of offers. One of the strengths on an offer is if the buyer is already approved for the mortgage.

Pre-approval is different that "pre-qualified," which means that you talked to some loan officer, and they asked you what your monthly debt and income was. Then they did a quick calculation on a napkin that "guestimated" how much of a home loan you can afford.

Pre-Approval means we go a few steps further. We evaluate your income and credit and determine if you are able to buy an home. Then we calculate the loan amount you can qualify for. Then we obtain a credit approval based on the lenders parameters for extending a loan.

This takes anywhere from 10 minutes to 48 hours, depending on the loan program we are trying to qualify you for .

This is most often done on an automated system, which will give us "conditions" that the lender needs filled so they are comfortable offering the money to you.

Sometimes we will submit the automated approval with the conditions it asked for-usually your pay-stubs and W-2's or your tax returns and your bank statements-to the banks underwriter for a *FULL CREDIT APPROVAL*. This says that you are ready to go a a borrower, and is the best possible position you can be in as a borrower.

Some banks don't do credit approvals, but we like to send our borrowers out shopping looking as strong as possible.

We will do the pre-approval first, then collect the conditions, and send your information to the bank for *FULL CREDIT APPROVAL.* This usually takes about 48 hours.

Costs and Fees

What should I expect to pay for a good loan?

In general, the costs for a purchase loan are 3% of the loan amount. A good rule of thumb for refinance costs are 2.5%-3%. These numbers will tend to shrink as the size of the loan increases. (We can lower costs by increasing the interest rate) We can minimize these on a refinance if you are willing to bring in the payment that you are skipping to closing, this can pay for some of these costs and make the % of loan amount more like 2%. There are some "hard costs" to every loan. The biggest hard cost is title insurance.

Each time a loan is done on a property, the lender requires title insurance, even if the new loan is done only a few days later. The lenders want to be assured that they are in "first lien position" on the title report. This means they own first right to the home if yo don't pay. The risk of this is transferred to the title company that does the title search and the title insurance company that is engaged.

"First Lien Position" is determined by the dates that loans or other claims are made on the title. The lien with the earliest date is considered "first". First on title means that when the property is sold, the money is first paid to the entity in first position, then if money remains, to the entity in second position, etc, until all claims on title are satisfied. Any remaining money would be paid to the owner of the property.

Because property taxes are given priority to everything else on the title, the lenders are serious about collecting the taxes with your

payment. This ensures that the taxes are paid, and that no one else could interfere with their rights to be repaid on your loan.

Title insurance seems expensive, but it is very cheap compared to not having it, and having a contractor who had done work on the property years ago, and was not paid file a "mechanics lien" on your property. The contractor would suddenly be in first position on the title and could foreclose if you were unwilling to pay his demands. You would be glad to have a title insurer to fight this battle for you and to be financially responsible for an outcome in your favor. Title insurance is federally regulated, so the costs are nearly identical from company to company.

Other hard costs are appraisal, lender fees, title fees, and processing. Believe me, we have tried, but we just can't get these people to work for free! Appraisals are usually good for 6 months. If your appraisal is older than this, you need a new one. Appraisals will range from $450 for a normal home to $800 for a 4-unit that is a rental.

The lenders fees will range from $800-$1,200 depending on the complexity of the loan programs they offer. Title has fees for preparing the loan documents and settlement statements and fees for handling the closing. Again, the fees are very similar across the board.