# How does the mortgage process actually work?

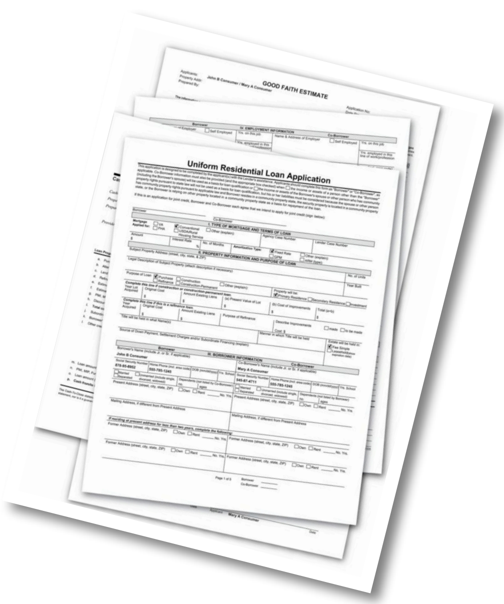
SUMMARY

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**

## Loan Closing

*Get ready for "writers cramp"*

The title company will print the documents—you will probably feel like you have signed the same forms 3 times over!—and prepare the settlement statements for the loan. The settlement statements are in a format that is federally regulated to ensure fair lending. The theory is to account for all the costs and fees in the transaction, and to track what money went where. The settlement statements track, among other things, which party is paying which part of the property taxes for the year, and who is paying for which part of the title insurance.



Like the "Good Faith Estimate," the settlement statement itemizes each fee involved in the loan, and it tracks who the fees are being paid to. Your total costs for loan are separated into 2 sections. The first is "closing costs" and the second is "Prepaid Items & Reserves."

# Closing Costs

*We can't get these people to work for free...*

**Closing Costs**
There are at least 13 people that work on your file, and they all have a cost. We have disclosed these costs on the Good Faith and should be right on. These are all considered "fees." You can tax-deduct the total showing on Section (A) "origination fee" (which is our money), and Section (A) "discount fee." (Verify any tax advice with a tax professional.)

**Prepaid Items\Reserves**
This part of the total is not considered "costs." This is money being used on your behalf to set up your loan. If there is any variance in the total of settlement charges, it is here. If you have chosen to escrow the taxes and insurance, they will collect for it here, with the 2-3 month cushion. If this is a purchase, they will make you pay 1 year of your homeowners insurance at closing (they need to know it is paid and they are protected.)
The lender also collects "pre-paid interest." Mortgage interest is paid in "arrears," which means that you use the money first, and then you pay for this month's usage on next month's payment. This is why you usually get to skip a month before your first payment is due. Prepaid interest is collected from the day of the month that your loan "funds" to the last day of the month. This pays the lender for your usage of the money in that month. Usually, you then skip the following month's payment, and have the first payment due on the first day of the following month.

# After You Sign

*Get ready for "writers cramp"*

**Funding and Recording (we are in the home stretch)**

The escrow officer at the title company walks you through the documents and makes certain that you are signing the papers in the correct place. The escrow officer will also explain the nature of each document and why we are signing. This is the time that our representative and the escrow officer can answer any questions you might have. (In case we haven't educated you on something to this point!) If you are bringing in any money, this needs to be "certified funds," which is a cashiers check or a wire from your bank.

The title company makes copies of your drivers' licenses, and of all the documents you sign, and sends the package back to the lender for the funding review. Again, if there is need for any clarifications, the lender issues "funding conditions." These are usually title company items that need to be updated. We submit any anticipated funding conditions with the signed document package from title. This streamlines the funding process.

When the lender is satisfied that they have everything needed for their loan file, the lender orders your wire transfer from the Federal Reserve (the money) and gives title permission to go to the county and record the details of the transaction.

The details on a purchase include the change of ownership, and the new lender the title books.

If your loan is a refinance, it is just the details of the new loan, including the name of the lender.


After receiving the wire, the title company then prints checks based on the directives of the settlement statements and the loan is complete.

Congratulations on another smooth transaction!


Transfer of Ownership
Know all men by these
Presence that I, King Ueg, Chief
of Ulithi Atoll, Western Caroline Islands,
Western Pacific, being of sound mind and body,
and for true value received, do hereby deed over the
island of Magajang, Ulithi Atoll,
hereinafter to be called Lucastan
to the following:
Sgt. Stuart Lucas, AACS Crypto, NYC, NY. USA.
Cpl. John M. McGowan, AACS Radio, Omaha, Neb. USA
Pfc. Leonard Moyers, AACS Crypto, Pottstown, Penna, USA
and their legitimate heirs + assigns, share + share alike, in perpetuity, as independent owners of said island with all rights of usage thereunto appertaining
January 5th AD. 1945
King Ueg
Dated