

Pre-Qualification

Prequalification starts the loan process. Once a lender has gathered information about a borrower's income, debts and credit a determination can be made as to how much the borrower can pay for a house. Since different loan programs can cause different valuations a borrower should get pre-qualified for each loan type the borrower may qualify for.

In attempting to approve homebuyers for the type and amount of mortgage they want, mortgage companies look at two key factors. First, the borrower's ability to repay the loan and, second, the borrower's willingness to repay the loan.

Ability to repay the mortgage is verified by your current employment and total income.

The borrower's willingness to repay is determined by examining how the property will be used.

Each applicant is handled on a case-by-case basis. So even if you come up a little short in one area, your stronger point could make the difference on your approval.

Mortgage Programs and Rates

To properly analyze a mortgage program, the borrower needs to think about how long he plans to keep the loan. If you plan to sell the house in a few years, an adjustable or balloon loan may make more sense. If you plan to keep the house for a longer period, a fixed loan may be more suitable.

An experienced loan originator will assist you with determining which program is best for you.

Credit Reports

Most people applying for a home mortgage need not worry about the effects of their credit history during the mortgage process. However, you can be better prepared if you get a copy of your Credit Report before you apply for your mortgage. That way, you can take steps to correct any negatives before making your application.

A Credit Profile refers to a consumer credit file, which is made up of various consumer credit reporting agencies. It is a picture of how you paid back the companies you have borrowed money from, or how you have met other financial obligations. There are five categories of information on a credit profile:

- Identifying Information
- Employment Information
- Credit Information
- Public Record Information
- Inquiries

The Application

The application is the next step of the loan process. With the aid of a mortgage professional, the borrower completes the application and provides all Requested Documentation.

A loan application is not considered complete until you have given us at least the following information: (1) Your name, (2) Your income, (3) Your Social Security number (and authorization to check your credit), (4) The address of the home you plan to purchase or refinance, (5) An estimate of the home's value and (6) The loan amount you want to borrow.

The Loan Estimate

A Loan Estimate is a three-page form that you receive after applying for a mortgage. The Loan Estimate tells you important details about the loan you have requested. We will deliver this to you within 3 days of your fully completed loan application. The Loan Estimate provides you with important information, including the estimated interest rate, monthly payment, and total closing costs for the loan. The Loan Estimate also gives you information about the estimated costs of taxes and insurance, and how the interest rate and payments may change in the future. In addition, the Loan Estimate will also indicate if the loan has special features that you will want to be aware of, like penalties for paying off the loan early (a prepayment penalty) or increases to the mortgage loan balance even if payments are made on time (negative amortization). The form uses clear language and is designed to help you better understand the terms of the mortgage loan you've applied for. All lenders are required to use the same standard Loan Estimate form. This makes it easier for you to compare mortgage loans so that you can choose the one that is right for you. When you receive a Loan Estimate it does not mean that your loan has been approved or denied. The Loan Estimate shows you what loan terms we can offer you if you decide to move forward.

The Intent to Proceed

After you receive your Loan Estimate, it is up to you to decide whether to move forward with us or not. If you decide not to proceed with an application for a particular loan, you don't need to do anything further. If you do intend to proceed with us, you must take the next step and tell us in writing or by phone that you want to move forward with the application for that loan. All lenders are required to honor the terms of the Loan Estimate for 10 business days. If you decide to move forward more than 10 business days after you receive a Loan Estimate, please realize that market conditions may make it necessary to revise the terms and estimated costs and provide you with a revised Loan Estimate.

Required Documents

Once you have completed the loan application, accepted the loan estimate and indicated your intent to proceed we will request documents from you in order to obtain your loan approval.

Appraisal Basics

An appraisal of real estate is the valuation of the rights of ownership. The appraiser must define the rights to be appraised. The appraiser does not create value, the appraiser interprets the market to arrive at a value estimate. As the appraiser compiles data pertinent to a report, consideration must be given to the site and amenities as well as the physical condition of the property. Considerable research and collection of data must be completed prior to the appraiser arriving at a final opinion of value.

Using three common approaches, which are all derived from the market, derives the opinion, or estimate of value. The first approach to value is the **COST APPROACH**. This method derives what it would cost to replace the existing improvements as of the date of the appraisal, less any physical deterioration, functional obsolescence, and economic obsolescence. The second method is the **COMPARISON APPROACH**, which uses other "bench mark" properties (comps) of similar size, quality and location that have recently sold to determine value. The **INCOME APPROACH** is used in the appraisal of rental properties and has little use in the valuation of single-family dwellings. This approach provides an objective estimate of what a prudent investor would pay based on the net income the property produces.

Underwriting

Once the processor has put together a complete package with all verifications and documentation, the file is sent to the lender. The underwriter is responsible for determining whether the package is deemed an acceptable loan. If more information is needed, the loan is put into "suspense" and the borrower is contacted to supply more information and/or documentation. If the loan is acceptable as submitted, the loan is put into an "approved" status.

Closing Disclosure

The Closing Disclosure is a five-page form that provides final details about the mortgage loan you have selected. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs to get your mortgage (closing costs).

We are required by law to give you the Closing Disclosure at least three business days before you close on your mortgage loan. This three-day window allows you time to compare your final terms and costs to those estimated in the Loan Estimate that you previously received from us. The three days also gives you time to ask us any questions before you go to the closing table.

Closing

Once the loan is approved, the file is transferred to the closing and funding department. The funding department notifies the broker and closing attorney of the approval and verifies broker and closing fees. The closing attorney then schedules a time for the borrower to sign the loan documentation.

At the closing the borrower should:

- Bring a cashier's check for your down payment and closing costs if required. Personal checks are normally not accepted and if they are, they will delay the closing until the check clears your bank.
- Review the final loan documents. Make sure that the interest rate and loan terms are what you agreed upon. Also, verify that the names and address on the loan documents are accurate.
- Sign the loan documents.
- Bring identification and proof of insurance.

After the documents are signed, the closing attorney returns the documents to the lender who examines them and, if everything is in order, arranges for the funding of the loan. Once the loan has funded, the closing attorney arranges for the mortgage note and deed of trust to be recorded at the county records office.