

The Mortgage Loan Process

A Step-By-Step Walkthrough

1. **Prequalify for a mortgage.** With a quick phone conversation with a mortgage professional, most people can get a pretty good idea of what price home they can qualify for and how much money they need and what the monthly payment will be. This is a great place to start – just to make sure you know what you're getting into!!
2. **Pre-approve for a mortgage.** Getting pre-approved for a mortgage takes you up one level from being prequalified. Your preapproval should include a written estimate detailing the down payment, terms, rate, closing costs and monthly payment. You should also receive a document or 'preapproval letter' stating the amount you have been qualified for. Completing this step will also increase your negotiating power.
3. **Know your options.** An experienced mortgage professional will provide you with financing options and/or explain why some options are being excluded as a choice. There are pros and cons to various programs. There's the question of whether or not you should pay points to get a lower rate and should you consider something other than a 30-year fixed rate mortgage? How can the seller help offset your closing costs? When you understand your options, you can make better decisions.
4. **Negotiate Seller concessions into your sales agreement.** When you've found the right home, you may need (or want) to negotiate for the seller to pay some or all of your closing costs. It is important to identify this upfront with your loan officer and communicate this information to your REALTOR. Seller concessions are common and must be included in your initial offer.
5. **Apply for the loan.** Once you have a sales agreement, it is time to firm up the terms of your loan application. Your lender is obligated at this point to provide you with several state and federal disclosures. You will need to provide paperwork supporting the application, if not previously provided as part of your preapproval. You may need to supply recent pay stubs, W2s and/or tax returns, and bank statements.
6. **Lock the rate** or choose to "float the rate". Either way, you have the choice to lock the rate or not at this point. If your rate is not locked, and rates go up, then you will end up with a higher rate!
7. **Get a home inspection and appraisal** – You are required to pay for both of these items upfront. Home Inspections are only required on a few loan programs, but it is generally recommended that you should get a home inspection when you purchase a home. If the water supply is from a well, some mortgage programs require a water quality test. All lenders require an appraisal on home sales. By knowing the true value of the home, the borrower is protected from overpaying.
8. **Get a title search** – The lender will order this for you as clean title free of any liens is required. The lender will require title insurance on the loan and this cost will be part of your itemized closing costs.
9. **Complete your loan application.** If there is any outstanding information requested by your loan

officer, please get it to him/her as soon as possible!! Work with your loan officer to get your file completed as quickly as possible. Once your file is fully documented, it can be submitted to underwriting for an approval!

10. **Get an underwriting approval and commitment letter.** Your file will be reviewed by one or more underwriters, depending on the loan program. Once the underwriter makes the final decision that the loan is approved, you will receive a commitment letter. It is common for the commitment letter to include "conditions" which must be met before the loan can be scheduled to close.
11. **Denial or Counter Offer.** If your loan is not approved as submitted, then you will receive notice of denial or your lender can counter offer to other terms under which they are willing to approve you.
12. **Get 'cleared to close'.** If there are any conditions to your approval, work with your lender to get them taken care of as quickly as possible. When your file has no outstanding conditions, it is considered 'cleared to close' and this is the best status you can be in!!!
13. **Buy some insurance -** Lenders require fire and hazard insurance on the replacement value of the structure. Flood insurance will also be required if the property is located in a flood zone. You will need to have insurance in place prior to setting up your closing date.
14. **Schedule the closing.** Pick a time and place that is mutually acceptable to both buyer & seller and the REALTORS.
15. **Take title to your new home.** At the closing, final loan documents are signed and title is transferred to you. **Congratulations, you are now a homeowner!**
16. **If you'd like to learn more, please give me a call.**