

What to Expect from the Mortgage Process

Here are the basic steps you can expect to follow in the mortgage loan process.

Pre-approval

A pre-approval is an application for credit and a lender's written commitment (subject to verification) of how much they'll let you borrow, letting you know how much home you can afford. This occurs before a loan application is completed. Pre-approval requires more information than a pre-qualification application, such as the property purchase price and down payment amount. Getting pre-approved can help show home sellers you are a serious buyer.

Loan Application

The mortgage loan application form asks for detailed information about you and the property you wish to buy, and requires documentation about your personal finances. The lender will examine this information, as well as your credit history.

Locking in a Rate

Mortgage loan rates may change daily. To ensure that you receive the rate you were quoted, you may elect to lock in your rate by paying an up-front authorization fee.

Points

A borrower can pay points, a dollar amount based on a percentage of the loan amount, to the lender to reduce the interest rate on the loan. This requires additional costs up front, but you may realize savings in the long run by paying less interest. Speak with a mortgage advisor to see if purchasing points is an option for you.

Appraisal

Your property will be appraised to determine its value. The appraiser will visit the house and will also consider sale prices of comparable houses.

Down Payment

Typically, lenders prefer that a borrower have 20% of the purchase price for the down payment. If you make a down payment of less than 20%, you generally have to purchase Private Mortgage Insurance (PMI). PMI protects the lender if you default on the loan, and is part of your monthly mortgage loan payment.

Loan Review Process

After the appraisal, the loan file is submitted to the lender for your loan to be reviewed.

Escrow and Title Preparation

A title company will hold the money and documents until all conditions of the mortgage approval are met. Title work will be prepared, including a title exam to ensure the title to the property is clear. Other documents such as the mortgage note and deed will be prepared.

Closing Costs

The costs associated with processing and closing a loan, such as application fees, points, title, insurance, and credit processing. Your lender should provide you with a "Good Faith Estimate," advising you of the estimated costs you may have to pay at loan closing. When budgeting for your new home purchase, be sure to factor in closing costs.

Signing

The documents will be sent to a title company for you and the seller to sign. Funds such as any remaining down payment and closing costs will be due at this time. Closing costs normally include such items as appraisal fees, title exam, settlement fees, title insurance, credit report fees, and application fees.

Title Transfer

When all funds are collected and the contract has been verified, the title is transferred and the purchase price funds are disbursed to the seller. After this step, you can take over the keys to your new home - congratulations!