Steps to Successful Secure Financing

Offered by Monika Lee

synergy
realty network

(615) 828-6332
Soldbymonikalee.com
Soldbymonikalee@gmail.com

1. Check your credit report: Having the information in hand before you talk with a lender lets you dispute any errors in the reporting. Based on your credit report, you are assigned a credit score ranging from 350 to 850. The higher your credit score, the lower the interest rate on your mortgage. You can expect a good mortgage rate at anything above 720. Home buyers who pursue an FHA loan can usually secure a loan if their credit is 580 or over.

2. Shop around for the best mortgage: Buying a home is one of the biggest investments most of us will ever make, yet most people spend more time shopping for a TV than they do choosing their lender. Take time to shop around! You'll probably find a range of loan amounts and interest rates. Even a small difference in your interest rate can save or cost you tens of thousands of dollars over the life of your mortgage. At this stage, lenders might give you loan pre-qualification: a quick, informal estimate of the amount you'll qualify for if you get serious and take the next step: applying for a loan.

3. Apply for the mortgage loan: Once you've weighed your loan/lender options, apply for a loan with your first choice. As you can guess, it mainly involves providing a lot of paperwork that demonstrates your ability to pay the mortgage. The basics include pay stubs, your federal tax return, and recent bank statements.

4. Get pre-approved: After you submit your loan application, the lender does an extensive check on your finances and credit record. If everything checks out, the lender will state the exact amount they're willing to loan you. The pre-approval is good for a set amount of time, usually 60–90 days. Pre-approval is important for two reasons. First, it's just smart to know for sure how much you qualify to borrow before you start seriously looking at homes. Second, sellers will take your offer more seriously if your loan is pre-approved. This can be a make-or-break factor in a hot market.

5. Shop for a home: Once you're pre-approved, you can start shopping for a home knowing just how much you can spend on the right place. This is the fun part! Your realtor will be a valuable asset in guiding you through this process. You need to decide what type of home is best for you (new construction? condo?), what you want versus what you need, and more.

6. Make an offer: Through your realtor, you make a purchase offer. This details the terms of the sale: the price, what's included, who'll pay for the closing costs, the timeline, and more. Your realtor will guide you through it. If the seller accepts you begin the escrow period with inspections, appraisal agreement. Let your lender know as soon as you are in contract.

7. The lender begins final loan processing: With the purchase agreement in place, your lender can start processing the loan. Your lender is required to give you a loan estimate (LE) within three business days of receiving your complete application for a mortgage. The application you submitted isn't complete until it includes the property address. The LE is a standardized form that makes it easier to understand the terms of your loan.

8. The underwriting process begins: If everything in the loan estimate is acceptable to you, you'll tell the lender to proceed with the loan. The lender then turns things over to the underwriter, who confirms that all the key factors on your application (credit history, debt load, appraised home value, etc.) meet the lender's guidelines, and that tax, title, insurance, and closing requirements have been met. You might be asked for more information, such as your most recent pay stub or proof of homeowners insurance. Sometimes, borrowers have to meet additional conditions at this point, such as paying off another loan or coming up with a larger down payment. You have to meet all the conditions before the loan can close.

9. The loan closes: Closing, also known as settlement, is the last step in the mortgage process. You sign all the final documents, and the lender funds the loan and pays the seller, plus anyone you owe fees to. Congratulations, now you own your new home!