Unlocking HOMEOWNERSHIP

MORTGAGE LOAN PROCESS

1. Get preapproved for a home loan.

This helps you determine how much house you can afford, what your mortgage will cost and your estimated monthly payment. You'll receive details on the interest rate, APR and fees based on your income, credit history and credit score. Preapproval shows sellers you are serious about buying and have the means to make a competitive offer.

Consider getting preapproved by at least three lenders so you can compare rates — this could save you money over the life of the loan. Acquiring preapprovals within a short period of time (30 days) only counts as one hard inquiry on your credit report.

2. Submit your loan application.

After a seller accepts your offer for a home, choose a mortgage lender and submit a loan application. Even if you've been preapproved, you must submit your most recent financial information. Within three days of receiving your application, your lender will give you an initial loan estimate, which includes:

- The cost of the loan.

Look at the total monthly payment listed on the written estimate you receive.

- Associated fees and closing costs, including information on which costs you can shop for.
    - If there's no escrow payment listed on your loan estimate, these costs won't be included in your monthly payment to your mortgage lender. You'll have to pay property taxes directly to your state or local government and homeowners insurance directly to your insurance company.
- Interest rate and APR.

3. Undergo the underwriting process.

During underwriting, the lender verifies your eligibility for the loan. The lender will review your updated credit report and order a home appraisal. Factors evaluated include:

- Credit and employment history.
- Debt-to-income ratio.
- Current debt obligations.

Underwriting can be the most time-consuming part of getting a mortgage, even if you've been preapproved. You may find yourself working with an underwriter rather than the loan officer you started with at the beginning of the homebuying process.

During the underwriting process, avoid major changes to your finances, such as switching jobs or taking out another line of credit. The same goes for large purchases that increase your debt, such as buying a car. Increasing your debt can lower your credit score, making the loan costlier — or even jeopardizing your qualification.

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4. Prepare for closing.

Once your loan is approved, there are a few more steps before the process is complete.

- **Purchase homeowners insurance.** Your lender will require you to do this. Shop around for the best policy.
- **Buy lender's or owner's title insurance.** While it's not required, it's wise to purchase title insurance. Both types of policies offer protection in case there are problems with the property title down the road.
- **Do a final walk-through of the home.** Ensure nothing has changed — and any agreed-upon repairs have been made since the home inspection.
- **Review your updated loan estimate and closing disclosure.** You'll get this three days before the scheduled closing date. Compare these new documents to what you got when you were initially approved to see if any costs have changed unexpectedly.
- **Get funds for your closing costs.** Depending on your lender's requirements, you may need a cashier's check from your bank or a wire transfer to pay the final closing costs.

5. Close on the home.

If you start having serious second thoughts at this point, you can still walk away. However, you might lose your earnest money deposit if you decide not to close. Don't be afraid to ask your lender any questions, from the details of the loan to any discrepancies in paperwork and more. Know what you're signing and what you're paying.

Your state's laws will determine who's present at closing. These people may include:

- Your mortgage broker.
- Your real estate agent.
- Your attorney.
- The seller's attorney.
- A title company representative.
- The seller and the seller's agent.