

MORTGAGE ROADMAP 102

Pre-Approval 'Til Closing The Home Loan

The steps outlined below are to provide a flow of the typical loan process. This is a simple reference form that outlines the responsibilities the borrower and mortgage lender assumes to successfully close and fulfill the financing portion of the new contract entered into with a seller of a home.

COMPLETED Pre-Approval *TBD*

The Pre-Qualification process and Pre-Approval is complete. An initial application and borrower documentation has been gathered along with credit, asset and income reviewed by the mortgage loan officer. Property was To-Be-Determined (*TBD*)

Step 1 New Purchase Contract (Day 1)

Along with your Realtor, a **final negotiated purchase contract** has been signed by both parties. An **escrow account** is opened with a local Title Co. Agency (customarily of your choosing, but negotiable with the Seller). The Title Agency will deposit **Buyer earnest money** (good faith to the seller) and begin researching the property for Title defects. The Contract will state the **Close of Escrow (COE)** date (Final Transfer & Recording Date) – typically 30 to 45 days out.

- a) **Borrowers should notify the Lender and forward a copy of the signed contract along with earnest receipt**
 - a. **The home buyers Real Estate professional will most often forward this information.**
- b) **Title Agency (Escrow Officer) acts as a legal 3rd party settlement agent for all parties involved in the transaction.**

Step 2 Sales Price and Loan amount Amended _ *Contract Specific* (Day 1-2)

- a) Final **Loan Amount Adjustment** (depending on the desired down payment)
- b) A re-disclosed **updated GFE and Truth-In-Lending Statement (TIL)** will be provided for the **Borrower to Sign**
- c) Lender will communicate to the Borrower anticipated **follow-up documentation** needed to process the loan
- d) **Rate Lock or Float** – Determination of market direction and time table to Close of Escrow date (COE)
 - Rates can be different than that of the date of the initial *TBD* pre-approval
 - Lender will consult with the Borrower and confirm a lock or float
- e) Lender will re-submit for a **revised automated pre-approval** with a property address.

Step 3 Property Inspection(s) and Appraisal (Day 3 - 7)

- a) **Borrower** hires a certified property inspector. **Not required** but recommended for all real estate transactions
- b) **Borrower** hires a pest inspection (termite). **Customary & highly recommended, but not required for most loans**
- c) **Lender** orders an **Appraisal** upon acknowledgement of a satisfactory inspection.
 - a. Regulations require a **7 day waiting period from the time of application for lenders to accept borrower payment of an appraisal**. Appraisal rules require a 3rd party vendor to administer orders for the lender.
 - b. The mortgage lender is also required to supply a copy of the appraisal to the borrower.

Step 4 Borrower Documentation is Updated (Week 1)

- a) Mortgage Consultant will review borrower documentation for completeness.
- b) **Borrower** may need to update documentation so that the loan can be properly delivered for processing

Step 5 Hazard Insurance (Flood Ins. if required): (Week 1-2)

- a) **Borrower** completes a **new Home Owners Policy** with an insurance company (**of the buyers choosing**)

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Step 6 Processing (Week 1 -2)

- a) Lender will verify the borrowers employment, rent and hazard insurance
- b) Lender will also update credit reports, and issue **follow-up disclosures** for the borrower
- c) **Borrower:** will at times need to re-sign certain legal disclosures, new Truth-In-Lending and Good Faith Estimate.

Step 7 Underwriting (Week 2)

- a) Underwriting will examine the loan with all documentation for final program eligibility.
- b) Lender issues A **Letter of Commitment** to the borrower: Outlines Final Loan Amount and Prior to Closing Conditions
- c) All Conditions must clear prior to Documents for Closing.
 - a. **Conditions Examples:** follow-up paystubs, Bank Statements, explanation letters ...etc.
- d) Rate must be locked a minimum of 5 business days prior to Preparation of Closing Documents.
- e) Lender will Re-Disclose the GFE and Truth-In-Lending Statement(TIL) if circumstances change (Ex: rate, loan amount)

Step 8 Closing Documents (Week 3-4)

- a) **Closing documents are prepared and sent to Title 3 to 4 days prior to the Signing Close of Escrow (COE)**
 - a. **Borrower & Realtor** should set a Closing (**signing**) **Date and Time** to be held at the Title Agency
- b) **Title Agency prepares a HUD-1 Settlement Statement** (Outlines the Closing Costs and Final Out-of-Pocket to Close)
- c) **HUD-1 Settlement Statement is reviewed with the Borrower** prior to signing documents
 - a. **Regulations require 1- day Borrower(buyer) review of HUD-1**
 - b. **Borrower** to make a ***Cashier's Check made out to the Title Company**, to bring to closing.

Step 9 Closing/Signing: Loan Documents are signed (2-3 days Prior to Funding & Recording)

- a) **Borrower:** Deposits into Escrow the Net Balance Due shown on the HUD-1 Settlement Statement
- b) *** Cashier's Check is made out to the Title Company**

Step 10 Funding: Loan Funded and Property Recording (Recordation Date)

- a) The Lending Banks funds the new Loan (typically by wire) to the Title Agency
- b) Property ownership is transferred and recorded with the county

The Keys are now Yours!!!!