

# Nineteen Steps To Homeownership...



## The Typical Purchase Home Loan Process

- ✓ **Pre-qualification** - You're encouraged to get pre-approved for a mortgage before looking for a home. However, if you don't want to become pre-approved, pre-qualification is the next best option. Pre-qualification gives you an idea of how much you'll be able to afford based on your debt, income and credit history. The key to the pre-qualification process is providing your entire credit history. Neglecting to mention an outstanding car loan or previous credit problem can nullify your pre-qualification.
- ✓ **Pre-approval** - Pre-approval is similar to pre-qualification, except your debt, income and credit are all verified and you are actually approved for a loan, up to a specific amount and under certain conditions and terms. Becoming pre-approved means you can search for your dream home without worrying about whether or not you can afford it.
- ✓ **And the Search Begins** - Now, you know what you can afford, let's go shopping! Ask your real estate agent to search the MLS (multiple listing service) daily for homes that meet what you're looking for!
- ✓ **Purchase & Sales Agreement** - When you find the right home, the terms of the sale are negotiated, including the sale price, repair requests, move-in date, etc. Your agent will present your offer to the sellers. Your pre-qualification or pre-approval letter will usually be submitted with your offer since it can tilt the sale in your favor, especially in a competitive market.
- ✓ **Loan Application** - Once the seller accepts your offer, you'll need to obtain your mortgage. Unless you have been pre-approved, you'll now need to complete the process.
- ✓ **Documentation** - Paperwork supporting the application must be submitted. Information commonly looked for include pay stubs, two years tax returns, and account statements verifying the source of the down payment, funds to close and reserves. If you were pre-approved, this step has already been completed.
- ✓ **Appraisal** - Lenders require an appraisal on all home sales. This step could jeopardize a sale if a big discrepancy is found between the sales price and the appraised value of the home, but this rarely happens.
- ✓ **Title Search** - This is the time when a search for any liens against the property is conducted. A lien may have been placed on a property to ensure payment of outstanding debts by the owner. All liens must be cleared before a title transfer can be completed.
- ✓ **Property Inspection** - Most purchase loans require an inspection of the property for termite and water damage as well as possible safety hazards. Some problems may need to be repaired before finalizing the sale.
- ✓ **Processor Review** - A loan processor will package all pertinent information to be sent to the underwriter, including any explanations that may be needed, such as reason for derogatory credit.
- ✓ **Underwriter's Review** - Based on the information put together by both the loan representative and the processor, the underwriter makes the final decision on whether or not the loan is approved. Lenders are looking for borrowers who will make their payments on time and for a property that will cover the cost of the investment, if a buyers defaults.
- ✓ **Mortgage Insurance** - Many lenders require borrowers to carry private mortgage insurance when their down payment is less than 20% of the home's sales price. Even if a loan meets the standards of a lender, a mortgage company could choose to deny coverage.
- ✓ **Final Loan Approval** - In most cases, when your credit and debt-to-income ratio is good, your loan will be approved with little to no problem. However in some cases, you may need to put more money down to improve the debt-to-income ratio. In addition, if the property appraises for less than the purchase price, you may need to increase your down payment to cover the difference. In some cases, repairs and or improvements on the property may be required. There may also be other conditions to meet before the final loan approval and the loan documents are issued.
- ✓ **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. In some areas, lenders require earthquake insurance on certain types of structures.
- ✓ **Signing** - Final loan and escrow documents are signed by you (the buyer) and the seller.
- ✓ **Funding** - A wire or check for the amount of the loan will be sent to the title company.
- ✓ **Close of Escrow/Closing** - Documents transferring title are recorded with the County Recorder.
- ✓ **Confirmation of Recording** - The title company then authorizes the escrow company, or the closing agent, to draft a check to the seller.
- ✓ **Move In and Enjoy!** - Now you get to move in to you're new home. Make to replace all the locks to ensure safety.



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