

# Home Loan Process

Mortgage Lending has changed as much as any other industry over the last 10 years. To educate our clients on the home loan process, we have created a step by step guide for your review and consideration. Please note, no two home loans are alike. There are many factors centered on the property, employment and assets which play a role in what we require documentation wise. The key take away here is to obtain your financing first! This eliminates stress and makes the overall purchase process much easier on everybody.

## The Application Process

The first step in the loan process is to make contact with one of Efinity's licensed mortgage loan officer (RMLO) and begin the application process. At this time the RMLO will begin gathering all pertinent loan application information from you. The mortgage advisor will let you know exactly what documents you will need to provide and address important questions during your initial meeting so they can design the proper loan scenario for you.

RMLOs at Efinity Mortgage will guide you through the entire loan process at this time. RMLOs are qualified to answer any questions you may have about loan process, so don't hesitate to ask. After your initial meeting or discussion, the following steps are taken to complete the application process:

- A credit report is pulled.
- An application is signed.
- Disclosures are signed.
- Explanation letters are written to explain specific situations that affect your financial ability to repay a mortgage loan.
- Supporting documentation is presented by you to the mortgage company to validate the information provided for the loan application
- An underwriting pre-approval is performed by an automated underwriting service or a manual underwriter.
- A commitment fee, application fee, or good faith deposit is paid by the homebuyer to the mortgage company.
- A pre-approval letter with conditions is presented to you. House hunting begins

# Shopping for a Home

Shopping for a home can be an exciting but overwhelming time. Efinity Mortgage is here to help make the home buying process as seamless as possible. Here are some tips that you need to consider.

## Hire a Reliable Realtor

You need to hire a realtor who can help you find the house that is best for you. Efinity Mortgage can recommend a trusted, knowledgeable realtor. The realtor will check out comparable homes before they're shown to you, and suggest properties for you to consider. A realtor also will provide community information regarding schools and property tax rates.

A realtor will handle the negotiations and present your offer. You don't have to compensate a realtor for his or her services. They're compensated from commission by the seller of the house.

## Review your budget

You should consider how much you can afford as you start to think about purchasing a home. Make a list of your obligations such as credit card payments, student loan debt and other expenses. You also need to consider additional expenses such as school taxes, potential HOA fees, unexpected home repairs, and more.

## Perform a home inspection

A home inspection should be performed of the house you want to buy. A home inspection will pinpoint any issues with the house and ultimately, help protect you in the event any unforeseen issues that may arise in the future.

You should make sure the inspector has experience inspecting homes. You can be present for the inspection. Here is a sampling of items that the home inspection will generally cover:

- structural elements such as ceilings, roof and foundation
- exterior such as landscape, fences, doors and windows
- attic and roof
- plumbing
- electrical such as main panel, ceiling fans, light fixtures, wiring
- appliances such as dishwashers, built-in microwaves and more
- water heaters, A/C units, fireplace, sprinkler systems and more

You and the seller will get an inspection report that details the findings. It is up to you to decide if you want to request the seller to repair anything before closing the sale.

## Loan Processing

After you've found a home and are ready to make a move, an appraisal of the home is ordered by Efinity Mortgage. A professional appraiser will visit your prospective home and inspect the size, condition, function and quality of the home. The appraiser will then compare the home to similar homes in the area that have recently been sold to determine a fair market value. An opinion of value will be included in the final appraisal report along with other data and research used to estimate the value of the home.

During the loan processing stage of the loan process, the following items are ordered to get you one step closer to purchasing your new home:

- Title to the property
- A survey
- Wiring instructions for when the loan has closed
- An insured closing letter
- A termite inspection

Verification of employment, funds to close on the home and the rent/mortgage are ordered. Verifications of any paid credit items are then sent to the credit bureaus to ensure your credit is accurate and up to date.

At this time, further documentation is received from the client to update any pending questions (divorce decrees, etc.), while taxes are certified for the proper amount for the property with the title company.

During this phase of loan processing, you, the homebuyer, obtains insurance quote that is typically paid at closing of the loan. The Mortgagee clause is then sent to the insurance company and a declaration page is produced and the realtor/title company/builder should transfer information about any homeowners association or condo dues to the mortgage company.

After the information has been gathered, the title, appraisal, survey, termite inspection, Verification of Employment (VOE), rent, and funds to close are then sent to loan processing at Efinity Mortgage. The information is then reviewed by both processing and the RMLO to confirm it matches the loan application, to confirm it will meet the guidelines of the loan program, and to determine if more documentation is required. Any necessary changes to the

documentation that require attention are relayed to the homebuyer, buyer's agent, builder, seller's agent, client, landlord, title company, employer, surveyor, termite company, bank, etc. Once these conditions are cleared, the loan is sent to underwriting for approval, usually by scanned email, fax, overnight mail, or by same day courier.

## **Down Payment**

Today, home loans are being acquired with lower credit scores and smaller down payments. In recent years, a down payment on a home has become more of a personal decision rather than a financial necessity.

Most home loans do require a down payment. The amount of a down payment on a home loan varies based on factors such as loan type, credit score, type of property being purchased, income and asset documentation, and the debt ratio as related to income.

## **Underwriting**

During the underwriting phase of the loan process, an underwriter reviews the loan package and documentation provided by the RMLO to determine whether the information provided is acceptable to offer the loan to the applicant. The underwriter analyzes the applicant's credit history, calculates housing and debt ratios, evaluates the value of the home as well as the applicant's assets and/or funds available to pay a down payment.

Once the underwriter has evaluated the loan applicant's information and calculated the risk in making the mortgage loan, they decide whether or not the application fulfills all of the requirements necessary for loan approval. At this point the underwriter will approve the loan with conditions, suspend the loan or deny the loan as it stands.

The following also occurs during the underwriting process;

- Updated pay stubs are obtained from the homebuyer along with updated financial statements to make sure they are all dated within 30 days of closing.
- A new credit report is typically run if the original is over 30 days old.
- Any gift funds for down payment are to be verified by the donor from the account of origin.

- A 4506 (IRS form) is ordered to verify if the tax returns supplied have actually been sent to the IRS.
- A background check is done to verify the actual owner of the landlord property listed on the VOR. (Verification of Rent)
- A fraud check is performed to verify if paystubs/W-2s are real.
- The earnest money check is verified to have cleared the bank account of the homebuyer.
- Any updates to the title, appraisal, survey, bank statements, etc. required by the underwriter are translated to the appropriate parties.
- Proper names, addresses and mortgagee clauses are added to the title.
- Insurance is verified to be appropriate to the lender and program.
- A flood certificate is ordered to characterize the flood zone status.
- An appraisal review is performed to validate the appraisal is within acceptable limits.
- A certificate of occupancy is obtained for any new home construction.
- A final appraisal is ordered for any subject-to conditions.
- The processor obtains the title fees, lender fees, HOA dues, and all other fees they can think of from the appropriate parties.
- The processor figures the appropriate prorating of taxes that will come from the seller.
- The processor determines if the taxes are on improved or unimproved property.
- Seasoned funds (available reserves as reported on application) are again checked to be sure there are sufficient funds to close.
- The rate lock is extended if necessary due to delays in the time to build the home. Delays may require you to pay an additional fee to the lender to extend the lock.
- After all conditions under the sun are cleared, the loan is cleared to close.

## Setting a Closing Date

Once the loan has been cleared to close by the underwriter, a closing date is set after consulting with you and your title company.

When an agreed upon closing date has been set, a fee sheet is sent to our loan closing department. The closing department will then draw the closing documents and sent them to the Attorney for review. When the documents have been reviewed, the closing department orders the wire amount for the loan. The closing department then sends closing and funding conditions to the title company.

# Closing on Your Home Loan at the Title Company

## Stretch Your Writing Hand – You’ve got a Lot of Closing Documents to Sign

At this point, you are so close to grabbing the keys to your new home! All you have left to do is sign your name or initials on what will seem like a million documents – in reality it’s just a few dozen, though. You will travel to the designated title company to complete the closing process. It’s the last active step for you to buy a home, because the only remaining step is funding – and that just depends on all the closing documents having been executed properly.

You will have a closing agent from the title company who will walk you through the whole process, and often your real estate agent will meet you just in case you have questions or they need to communicate quickly with anybody else involved in the home sale or loan process. The title company will have all the papers reviewed by your mortgage RMLO here at Texas Lending to make sure all the numbers are accurate. You will hear from the title company before closing so that you know exactly how much money you need to bring to closing in the form of a cashier’s check. Sometimes, if you’ve also just sold a home, your closing may be funded from the home sale.

You may also need to bring proof of homeowner’s insurance with you, unless that has been provided to the title company previously. Some real estate agents will help with that prior to closing. And, finally, you will need to provide photographic proof of identification for each person signing the closing documents. Then you’ll start signing your closing papers, which include:

- Settlement Statement (HUD-1 Form) – This form has all the information detailed about the purchase of your new home including the price you pay, finance rate for the loan, fees for all the parties involved, property taxes, and the cash requirements for you and the seller.
- Truth in Lending (TILA) Document – This includes information on your monthly mortgage payments including principle, interest and taxes. It also clarifies all the finance charges. You will have seen this earlier in the process, but this is the final document.
- Mortgage Document, Title & Deed – This is the legal paperwork that provides your assurance that you will pay the debt you owe to the lender. It has lots of information about your payments and terms & penalties if you miss payments. The title and deed say who owns the property, you, and conveys ownership of the property.
- Title Insurance: This is what the title company really does – makes sure that it’s legal for you to own the property, and that there are no other claims against it.
- IRS 1099 Form: Real estate transactions must be reported to the federal government, the IRS.

The title company will notarize the proper forms and makes sure all documents are properly executed. On the day of closing, Texas Lending will wire the purchase funds to the title

company, and the title company will distribute the money to the seller, the real estate agents, and any other parties who are owed a portion of the money. If the wire transfer is completed and the forms are all verified as valid, sometimes you can pick up your keys and garage door openers immediately after closing and go enjoy your new house right away!

The process sounds more intimidating than it really is. Your real estate agent and Texas Lending RMLO will make sure the title company has everything it needs prior to closing, will ensure you bring the proper things to closing, and all you have to do is sign, sign, sign! You'll be done in less than an hour and on your way to moving into your new home.

## **Funding the Loan**

Following the closing, the documents are sent to the funder who reviews them to ensure all closing and funding conditions have been met.

After the documents have been reviewed by the finder and all conditions have been met, the funds are released. If funding is withheld the client is called back to the title company to make any changes to the paperwork that may be necessary.