

19 Steps to Home Ownership

A typical purchase home loan process

1 Pre-Qualification

Informally determines the maximum amount you are eligible to borrow. This is not a guarantee of a loan. The key to getting pre-qualified is to provide your credit history. Neglecting to mention an outstanding car loan or previous credit problem can nullify the pre-qualification.

2 Pre-Approval

Similar to pre-qualification, except your debt, income, and credit are all verified, and you are approved for a loan up to a specific amount and under certain conditions and terms. Becoming pre-approved means you can search for a home knowing exactly how much you can afford.

3 The Hunt

Now that you know how much home you can afford, you can begin shopping. Ask your Real Estate Professional to search the MLS (Multiple Listing Service) daily for homes that meet your specific criteria.

4 Purchase and 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 Real Estate Professional will present your offer to the sellers. Your pre-qualification or pre-approval letter will be submitted with your offer since it can tilt the sale in your favor, especially in a competitive market.

5 Loan Application

Once the Seller accepts your offer, you will need to obtain your mortgage. Unless you have been pre-approved, you will need to complete a loan application.

6 Documentation

Paperwork supporting the application must be submitted. This includes pay stubs, two years of tax returns and account statements verifying the source of the down payment, funds to close and reserves.

7 Appraisals

Lenders require an appraisal on all home sales. This step could jeopardize a sale if a discrepancy exists between the sale price and appraised value of the house.

8 Title Search

A search for any liens against the property. 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.

9 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.

10 Processor's Review

A Loan Processor will package all pertinent information to send to the Underwriter, including any explanations that may be needed, such as reasons for derogatory credit.

11 Underwriter's Review

The Underwriter makes the final decision on 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 Buyer defaults.

12 Mortgage Insurance

Many Lenders require Borrowers to carry private mortgage insurance when their down payment is less than 20 percent of the sale price of the home. Even if a loan meets the standards of a lender, a mortgage insurance company could choose to deny coverage.

13 Final Loan Approval

When your credit and debt-to-income ratio is good, typically your loan will be approved. However, you may be required 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 the down payment to cover the difference. In some cases, repairs or improvements on the property may be required. There may also be other conditions to meet before the final loan approval and loan documents are issued.

14 Insurance

Lenders require fire and hazard insurance on the replacement value of the structure. Flood insurance may be required if the property is located in a flood zone. In some areas, earthquake insurance is a requirement.

15 Signing

Final loan and escrow documents are signed by you (the Buyer) and the Seller.

16 Funding

A wire or certified check for the amount of the loan will be sent to the title company.

17 Close of Escrow and Closing

Documents transferring title are recorded with the County Recorder.

18 Confirmation of Recording

The title company then authorizes the escrow company, or Closing Agent, to draft a check to the Seller.

19 Move in!

Now you get to move into your new home. Make sure you replace all the locks for safety.



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