

THE HOME LOAN PROCESS

Loan Application

The first step is to discuss your financial situation with your loan consultant, followed by your authorization to access your credit report, which will provide a basis for further discussion. Next you will discuss loan programs, rates, and associated costs, followed by you completing and signing the loan application and associated disclosures. Within 3 business days of receipt of your loan application your loan consultant will prepare and deliver a "Good Faith Estimate" showing the loan program, the monthly payment, and costs associated with the transaction. If this is a purchase transaction, you should pre-arrange your homeowner's insurance policy so that you can let your loan consultant know what the expected annual premium will be.

Credit, Income and Asset Qualification

After receiving the loan application, your loan consultant will verify your income, assets and expenses based on documentation that you have provided. Your loan consultant will verify that you have sufficient stable monthly income to qualify for the loan and sufficient assets to meet loan approval requirements.

Appraisal

Your lender will engage a licensed real estate appraiser at your expense to inspect the home and prepare an appraisal report. The appraiser will report his or her findings along with a market value, which will be used to determine if the loan is eligible for approval under the terms originally proposed. If there are any repairs or renovations underway at the time of the appraisal inspection they will usually have to be completed prior to closing your loan.

Approval

Loan approval involves evaluating the purchase contract (if a purchase), the title report, (which discloses ownership, existing loans, and any other items affecting ownership, such as CC&R's and easements), tax-return verification from the IRS, income documentation, asset documentation, your credit report, and the property appraisal. Using a complicated set of guidelines taking into account differences in financial profiles, the data is carefully reviewed. Assuming most requirements are met, a "conditional approval" is issued. This means that your loan is approved subject to receipt of additional conditions noted on the approval. Your loan consultant will notify you of the additional conditions requested and you should provide them as soon as possible. If employment income is used to qualify, verbal employment verification is made within 10 days of closing to make sure you are still employed.

Closing

In preparation for closing, you will go to an escrow company (or a document signing service comes to you) and sign the final paperwork. The final paperwork usually consists of 8-10 pages of escrow instructions and 40-60 pages of loan disclosures and agreements. This is the point at which you will receive the final "estimated closing statement" which shows how much money you will need to deliver to the escrow company as your portion of the transaction. This amount should match very closely the original Good Faith Estimate that you received at the beginning of the process. Once everything is signed and reviewed and the money is deposited with the escrow company, the recording is scheduled with the County Recorder. Once the documents are recorded for the loan and transfer deed (if a purchase) by the County Recorder, the escrow company prepares a Final Closing Statement and disburses funds as appropriate, "closing" the file. You will receive a copy of the Final Closing Statement and a check if any funds are due to you.