



AN OVERVIEW OF THE LOAN PROCESS

Selecting a Mortgage Broker or Lender

Brokers usually act as your agent with the lender. You can also deal directly with some lenders without using a mortgage broker. Whichever you choose, ensure that you have checked out the company. Try to use companies that people you know have used and can tell you the level of service provided. Rates should be competitive with other companies. Remember that if the deal sounds too good to be true, it probably is.

Be aware of your credit status. Before you contact a broker or lender, obtain a copy of your credit report. This can be done free on the Internet at www.annualcreditreport.com or by calling (877) 322-8228. For a fee, you can also obtain your credit score, which lenders will use to determine if you qualify for a prime loan or sub-prime loan. Sub-prime loans have interest rates and fees that are generally higher than prime loans. Knowing your credit score before you apply will allow you to shop for the best loan for you.

The Loan Application

You will have to provide a completed loan application. Some brokers will come out to your home to take the application. You can fill one out yourself or use websites that will allow you to submit the application online. Remember, never sign blank applications or forms. You will probably be asked to pay for a credit report and appraisal fee up front. If a broker tells you the credit report and appraisal costs are not being charged to you, make sure to get it in writing. Also, verify that you will not pay for these items at the close of escrow out of your loan proceeds or that the broker will not demand payment for the fees if you do not close the loan. The broker will also request that you submit the documents that the lender requires for the loan program you are trying to obtain. Both the broker and lender will provide you with required disclosures regarding the terms of the loan. It is important that you review these disclosures and ensure that the terms meet with your approval.

Processing the Loan

The broker obtains the required information and submits it to the lender's underwriter for loan approval. This is a critical stage in obtaining your loan. Ensure that you respond to all requests for information from the broker in a timely manner. This will increase your chances of getting the loan or learning why you don't qualify. This is also the time you may want to lock in an interest rate. Remember to keep in contact with the broker and to monitor the loan process, ensuring that the broker is meeting the agreed upon time frames.

Closing the Loan

This is the final stage of the loan process. The closing can take place at a title company, escrow company, or the broker's office. The broker may use a signing service that will bring the documents to you for signing. No matter where the signing takes place, this is the time to ensure the loan terms and costs are the same as agreed. Read all documents. Do not let yourself be rushed. If you have questions, ask them at this point and make sure you understand the answers. If the terms and conditions are not what were agreed upon, do not sign the loan documents. Request that the documents be redrawn stating the correct terms.