

Seven Steps to Obtaining a Mortgage

Obtaining financing is probably one of the most confusing and intimidating things you will have to do in the homebuying process. By understanding the mortgage process, knowing what to expect and planning ahead, you can increase your confidence about obtaining a mortgage loan. Here are the steps involved:

Research: Shop around for the right lender and loan product. This will take time and effort, but finding a loan with the best rates and terms for you can save you a lot of money in the long run.

Pre-approval: Before you begin shopping for your dream home, you will want to know if you can qualify for a mortgage based on your financial situation, and if so, how much you can afford to spend on a house. If you are pre-approved you have a guarantee that the lender will lend you a certain amount if you buy within a certain time period, usually 45 days, and the house appraises for the amount you qualify for.

Loan Application: After you have a signed purchase contract, you apply for the mortgage loan by completing a standard mortgage loan application. The form includes questions about your income, assets, debts and credit, as well as the property you wish to purchase.

Loan Processing: Once the loan application is completed, it is assigned to a loan processor. The loan processor orders your credit report and an appraisal of the value of the property you want to buy. The loan processor also verifies your employment, rent and back account balances.

Underwriting: A loan underwriter reviews your complete loan application package and decides whether to approve it.

Approval: If you are approved, the lender will send you a commitment letter. This is a formal offer that states the amount of the terms of the loan. You will be given a set amount of time to accept the offer and close the loan by signing the letter.

Loan Closing: It may be a four-to-eight week wait from the time you submit your loan application to closing. The closing is the day the deal is completed, and in most areas, it involves a formal meeting at which the buyer and seller sign the necessary paperwork to complete the sale.