

## Understanding the Loan Process

### Organize your documents

Whether you are buying or refinancing a home, there are many important documents that will be needed to process your home loan. The process of loan will depend on what status you currently hold in the USA, if you are a Brit. To make the process go quickly and smoothly, gathering the following documents, being prepared and understanding that the procedure in the States is more security conscious, will make it easier on you.

### US Citizens/Green Card Holders

You will need two years W-2 (taxes in the US are filed from the end of December to January of each year and not April to April in UK) and at least one months worth of pay stubs. If you are self-employed, two years tax returns, three months checking/savings bank statements, copies of any stock brokerage or IRA/401K accounts, and if you own rental property, please provide rental agreements and current market value.

We do have wonderful news, if you have only been here in America, a few months and are staring at a brick wall because of the FICO and trade lines issues. (FICO is how your credit score is referred to by the US market.) NOW, we have several lenders that will accept the UK credit report showing your credit lines there. (Only through certain lenders...don't ask for a name as that gives my market away)

### Non-Permanent Resident Aliens (Visa Holders)

W2 (if you have one), pay stub, copy of your visa and passport, 3 months checking/savings bank statements, if you own a house in UK a copy of the most up to date transactions and /or most recent mortgage statement, a copy of your UK credit report (obtain from [www.experian.co.uk](http://www.experian.co.uk) or [www.creditexpert.com](http://www.creditexpert.com) ) a copy of the rental agreement if you are renting your home out in UK. Employment/Assets verification and copies of the relocation package if this is applicable.

### Foreign National (Holiday Home Buyer)

3 months bank statements, if you own a house in UK a copy of the most up to date transactions and/or mortgage statement, a copy of your UK credit report ( obtain from [www.experian.co.uk](http://www.experian.co.uk)), a copy of your passport, a copy of the purchase contract.

Employment/Assets verification.

There may be some other documents required, but we will let you know.

### Deposits/Down Payments

Now you have figured out which category you fall into, you need to decide how much you can afford to put down as a deposit. This can make or break your dream. Take into account, the more down payment you put down toward the loan, the better interest rate you could get.

## Loan programs and rates

To find the right loan for you, you need to consider your long term goals. If you plan to sell the house in a few years you may want to consider an adjustable rate loan. On the other hand, if you plan to keep the house for a longer time, you may want to look at fixed rate loan. Compare different programs. Shopping for a loan can be difficult, so an experienced loan officer can help you make a decision that's best for you. A reputable loan officer will also not avoid talking about closing costs. (My experience has taught me that if they avoid this subject, YOU will pay a hefty bill at closing.)

## Get Pre-Qualified

Pre-qualification occurs before the loan process actually begins, and is usually the first step after initial contact with the loan/mortgage broker is made. The broker gathers information about the income and debts of the borrower and makes a financial determination about how much house you may be able to afford. By getting pre-qualified or pre-approved, you don't waste time looking for properties you cannot afford. It also puts you in a stronger position when you are negotiating with the seller, because the seller knows that your loan is already preapproved and being handled by a mortgage broker. This step also helps you close quickly, since your loan application is already approved. Don't hide anything from the broker, any nasty shocks could and have wrecked a deal. The mortgage officer will be able to deal with most problems and position the loan perfectly.

## Apply for the Loan

The buyer, now referred to as a "borrower", completes a mortgage application with the loan officer and supplies all of the required documentation for processing. Various fees and down payments are discussed at this time and the borrower will receive a Good Faith Estimate (GFE) and a Truth-In-Lending statement (TIL) within three days of the application being agreed, itemizing the rates and associated costs for obtaining the loan. The specific loan program and rates will be determined at this time.

## What is a good faith estimate?

Your lender is required by the Federal Real Estate Procedures Act to provide you with a good faith estimate of the fees due at closing within 3 days of the "physical" loan application being applied for. These mortgage fees, sometimes referred to as settlement fees, cover every expense associated with your home loan, inspections, title insurance, taxes and other charges. Closing costs typically amount to between 3 and 5 percent of the sale price, its best to wait until you receive the good faith estimate before signing any loan. Remember...the GFE is called an estimate for a reason, if the loan officer cannot give you exact figures they should advise you prior to the GFE being given to you.

Different states have slightly varying guidelines on the mortgage process one of the main areas being taxes. Check with the mortgage broker for information.

## Title Insurance

Title insurance insures against errors in the title search and guarantees that you and your lender retain financial interest in the property. A title search checks for liens, encumbrances and legal errors, as well as fraud, forgery, missing heirs or divorce proceedings that could affect your rights of ownership, possession and/or use of the property.

The required title insurance only protects the lender, so if the property has a long and checkered history, you may want to take out a separate owner's title insurance policy protecting yourself. If the property is relatively new, you may be able to lower the cost of the insurance by asking the insurer for a reissue rate if there have been no claims against the title since the previous search was done. If you and the seller are both getting the insurance, you may save money by using the same insurer, who then only has to research the property once for both of you.

## Escrow

At closing you may have to put aside money into special escrow accounts to insure that such things as private mortgage insurance (PMI) property taxes and homeowners insurance are paid on time. Federal law limits the amount of escrow "cushion" to two months of payments. Be sure to ask the lender what escrow payments will be required at closing, some companies may waive escrow requirements if you pay more points or a higher interest rate.

## Ways to save at closing

Many closing costs are standard and won't vary from lender to lender, for instance appraisals, credit reports, title insurance, government stamps and recording fees. (The costs may vary but the requirements are standard.) Sometimes referred to as "hard costs". Others, however, may be eliminated simply by opting out of a service, such as overnight delivery of documents. If a fee seems vague or questionable, ASK. Some mortgage companies include so-called "junk fees" that you can eliminate or reduce. All mortgage loan payments are due on the first of the month; you can avoid or reduce the prepaid interest due by closing on or near the end of the month.

Remember, you can always negotiate with the seller to have them split or pay outright some of the closing costs, points or fees. This is sometimes referred to as "Sellers Concessions" The real estate agent should negotiate the best possible deal for you on this.

The good faith estimate is required under a law called the Real Estate Settlement Procedures Act. This law also prohibits "kickbacks" among the settlement providers and the act prohibits the property seller from compelling the buyer to use a particular title insurance company. (A law that a buyer should be very aware of.) The elements of the law are enforced but however; do not cover the enforcement for the accuracy of the GFE.

### Obtain Loan Approval

Once the signed loan application has been received by the mortgage broker, the loan approval process begins immediately. The loan is passed to the lender or finance provider and the underwriter (sometimes known as “the higher Power”) starts their part of the job. This involves them verifying your credit history, employment history, assets including your banks accounts, stocks, mutual fund, retirement accounts and property value. Their job is to ensure the validity of your application and ensure that you are trust worthy; you are after wanting to borrow quite a hefty sum of money. To improve your chances of getting a loan approval, make sure you have filled out the loan application completely and honestly. As a “New Arrival” you may find that you scrutinized a little more thoroughly than a US Citizen, please don’t take it personally, you too will become as protective about America as everyone else.

DO NOT make any major purchases such as a car, furniture or another house until after the loan is closed. This will affect your debt to income ratio and could ultimately kill the deal.

Finally, be sure that you can provide a written explanation for any unacceptable late payments, collections for judgment, change of name, location etc. All which can be verified if required.

### Close the loan

Closing usually happens between days 25 and 45 of the loan process. Though this process can be longer when there are a couple of countries involved. At the closing, the lender “funds” the loan with a cashiers check, draft or wire to the selling party in exchange for the title to the property. This is the point at which the borrower finishes the loan process and actually buys the house.

**You will be required to sign the final loan documents in front of a notary public. Make sure that the interest rate and loan terms are what you were promised as well as the name and address on the loan documents are accurate.**

Bring a cashier’s check for your down payment and closing costs if required.  
Personal checks are **NOT** accepted.

## Congratulations

The house is now yours and ready to be called HOME.

Lizzy McNaney-Juster  
First National Mortgage Sources  
[www.BritsFinanceinUSA.com](http://www.BritsFinanceinUSA.com)  
[lizzy@britsfinanceinusa.com](mailto:lizzy@britsfinanceinusa.com)