

## FREQUENTLY ASKED QUESTIONS ABOUT HOME BUYING

At McLean Mortgage Corporation we always strive to make the process easier for our clients. We feel that purchasing a home is the most important financial investment you will make in a lifetime. Achieving the American Dream of Homeownership should be one in which we carefully guide you through the process so that it is a positive experience that you will remember.

**Here are a few questions first-time buyers typically have:**

**1. At what point in the process should I apply for a mortgage?**

The best time to apply is before you select a home. Getting a LoanFirst<sup>SM</sup> Preapproval will give you more negotiating power with the seller as well as make the process smoother because you will know within what price range to be shopping.

**2. How long will it take for our loan to be approved?**

After you have submitted your application, loan approval typically takes just a few days if the documentation we ask to be provided is complete. The more complete the information, the more quickly we can act.

**3. What is the process after the loan is approved?**

Assuming you have a sales contract signed for a new home, the next step is to make sure all conditions are clear. Many of these conditions are standard and are provided by third parties, such as obtaining an appraisal and clear title. The quicker these conditions are received, the smoother the settlement process.

**4. What is the difference between a preapproval and prequalification?**

A *prequalification* is an opinion on whether you are qualified for the mortgage and does not mean that the information provided has been verified or the file has been underwritten. A *preapproval* means that the relevant information has been verified and the file has been underwritten and approved. The file typically would be approved subject to a ratified sales contract, satisfactory appraisal on the property selected and locking in a rate and loan program.

**5. When can I lock in a rate on the loan?**

Typically you can lock in the rate after the application is complete and a sales contract is ratified. Rates change daily and often more than one time per day. We will keep you informed as to how the markets are changing.

**6. What is the difference between a home inspection and a home appraisal?**

A *home inspection* can be completed at the option of the purchaser. Your Realtor<sup>®</sup> will order the home inspection on your behalf to determine the condition of the home and its major systems. A *home appraisal* is required for home financing and is ordered by the lender to determine the value of the home.

**7. How much money will I need at closing?**

You will need money to cover the down payment and closing costs and escrows. The closing costs are itemized on the Loan Estimate, a form required by the government that we will provide. From this number, you can subtract your deposit that is being held by the Realtors and any closing cost credit paid for by the seller.

**8. Can I borrow the money I need for closing, for example, place a charge on my credit card?**

Each program is different with regard to how you can procure the funds necessary as well as the cash reserves needed after closing. We advise you not to incur any additional debt until you close on your home, at least not without talking to us first. A car or furniture purchase could change your qualification status.

**9. What is included in my mortgage payment?**

We refer to the payment as the "PITI." This term stands for Principal, Interest, Taxes and Insurance. Principal and interest refers to the total payment on the loan. The tax and insurance payments are for bills that will be due in the future. Money is put aside, or escrowed, for these bills. Insurance is typically for a "homeowners policy" to protect your house, but there may also be monthly mortgage insurance charged for certain loans with less than a 20% down payment.

**10. Will I get a copy of the appraisal of the property?**

Yes, you will be provided with a copy of your appraisal after our quality control review has confirmed the appraisals' accuracy.

**11. Will I get a copy of my credit report?**

Yes, we will be able to provide you with a consumer copy of your credit report. The Fair Credit Reporting Act requires that this information cannot be shared with other parties to the transaction and therefore it must be provided to you directly.

**12. How can I best prepare for settlement or "closing"?**

Closing is an important day because you officially become a homeowner. It is best to prepare yourself ahead of time for settlement to ensure a stress-free day of celebration. Be sure to confirm the date, time and location of the closing with all parties. Often the date and/or time may change, and it is important that everyone is on the same page. It is also important to review the Closing Disclosure ahead of time, as it summarizes the details of the transaction and it is important to get any questions answered before the settlement takes place.

**13. What do I need to bring with me to settlement?**

Remember to bring a government-issued picture ID with you to settlement and to bring any funds due specified in the Closing Disclosure in the form of a cashier's check made out to the settlement company (if the funds are not being wired). Finally, there will be many documents to sign at the closing table and familiarizing yourself with these forms ahead of time will make the settlement much more enjoyable.

 **My Home Buying Questions and Notes:**

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