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How To Obtain A Home Loan

The majority of people, at sometime during their life, will need to take out a loan for their house. The job is not as difficult for the one receiving the loan as it is for the one who has to process it. It is a simple procedure that everyone should be familiar with by the time they need to buy a home. If the process is done right, it should take between 30-45 days. As long as everything in your credit past is in order and up to date, there should be no delays.

"The first step to obtaining a loan is to find out if you qualify" (Home Loans 1). This is where you have to get a pre-loan assessment. You will be able to find out how much money you can borrow based on how much money you make and your previous credit. Another thing you will need to find out is your lending criteria: "...the location and type of property you are considering purchasing, as well as your savings, employment and credit history" (Home Loans 1). Once these are all looked over you will know if you qualify or not. 

The next step after finding out if you qualify is to start the application process. This is when the lender takes a complete analysis of the financial position of the borrower and the disclosure information required. "The first and most important question the lender will ask is: 'How likely is it that this loan will be repaid?'" (Century 21 13). If your past shows that you are a reliable person, then you do not have to worry. But once you have had bad credit, it is hard to rid of. So what needs to happen is an application must be filled out. "Since most underwriters never meet the borrower, the application will be the only means by which an applicant can be judged creditworthy. For this reason, it is important to fill out the application completely and correctly" (Loan Processing 1). If there are a lot of mistakes, it will look very unprofessional and it makes the lender think, if you did not spend that much time on it, why should he waste his time?

The different items collected on the application are: "...the type of loan applied for, terms of the loan applied for, purpose of the loan, names in which the title will be held, down payment and settlement charges, and borrower information" (Claurette / Webb 339). "Important borrower information includes gross monthly income, other income, monthly housing expense, previous employment data, assets, liabilities, net worth, previous credit references, and a schedule of other real estate owned" (Claurette / Webb 339). This information is necessary because it allows the lender to check and make sure you will make your down payments and monthly payments regularly and the accuracy of your application. All of the information will be verified as soon as possible, that way nothing will be outdated.

As soon as all of the information is submitted and there are not any major problems, the loan can be submitted for insurance. "FHA charges a premium to insure a mortgage. The premiums are used to pay lenders if/when borrowers default on FHA-insured mortgages" (Real Estate 282). There is also a fee that must be paid up front and an annual one as well. Private Mortgage Insurance is also available. "Private Mortgage Insurance Companies (MICs) provide mortgage insurance for conventional loans, making these perhaps more attractive in the Secondary Mortgage Market. Mortgage insurance reduces the risk to the lender and to the investor" (Real Estate 234).

The last step is the closing of the loan. "The closing involves preparing and assembling the legal documents necessary in the jurisdiction to carry out the closing transaction" (Claurette / Webb 342). This can be done by one of two different people. It can either be done by a closing agent, who will prepare all of the documents, or the lender will prepare the documents and send them to a closing agent to complete the process. "Regardless of the system used, there are certain documents that must be included in the closing transaction and recorded in the local courthouse" (Claurette / Webb 342).

The first document needed is the note. A note represents the promise that you as a borrower made to repay the loan and it lists all of the conditions, etc. Sometimes the mortgage or

deed-of-trust is standard. "The mortgage or deed-of-trust will include much of the same basic information as the note and, in addition, will provide a legal description of the property" (Cluaretie / Webb 342). The deed is also a necessary document. The information has to be the same on both the deed and the mortgage. The settlement statement must be included, also. "It is a record of what went on at the closing. The form given to the seller may or may not show the costs paid by the buyer, and vice versa" (Clauretie / Webb 342). The commitment and the truth-in-lending disclosure must also be part of the closing file. The disbursement is another part of the closing that can be handled a few ways. The lender can give the borrower either several checks payable to each of the recipients (title company, mortgage insurer, etc.) or it can be one big payment on one check. Then the agent can take care of it himself.

Everything in the closing is recorded. This is to protect you incase someone else claims to have a valid deed. One of the last steps is paying off the Mortgage Insurance. Once that is done the mortgagee's review certification is a signed document. This means the lender has certified that "...(1) the borrower has made at least the minimum cash investment, (2) the borrower has not paid any prohibited fees or charges, (3) all of the conditions imposed by the firm commitment have been met, (4) all repairs required by the firm commitment have been made, and (5) the terms of the mortgage conform to HUD requirements and the terms of the firm commitment" (Clauretie / Webb 343).

The home loan process does seem a little complicated, but mostly just for the lender. Your job, as the borrower, is just to follow instructions and fill out everything as accurately as possible. This is your chance to prove to the lender that you deserve a loan and are worthy of one. The first loan is always the hardest, but after that it gets easier. There are also many different kinds of loans available, so do not just limit yourself to a regular home loan. And once you have had one loan and successfully paid it off, it shows that you are capable of having a loan and lenders will be very generous.

