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You're In Great Hands

"We are here to make it easy for you"

Should you talk to a mortgage professional before house hunting?

Absolutely! Even if you haven't so much as picked out houses to visit yet, it's important to see your mortgage professional first. Why? What can we do for you if you haven't negotiated a price, and don't know yet how much you want to borrow?

When we pre-qualify you, we help you determine how much of a monthly mortgage payment you can afford, and how much we can loan you. We do this by considering your income and debts, your employment and residence situations, your available funds for downpayment and required reserves, and some other things. It's short and to the point, and we keep the paperwork to a minimum!

Once you qualify, we give you what's called a Pre-Qualification Letter (your real estate agent might call it a "pre-qual"), which says that we are working with you to find the best loan to meet your needs and that we're confident you'll qualify for a loan for a certain amount. In some instances your agent may want a Pre-Approval Letter. Obtaining a "pre-approval" is simple, it only requires that we verify the information that you gave us verbally.

When you find a house that catches your eye, and you decide to make an offer, being pre-qualified for a mortgage will do a couple of things. First, it lets you know how much you can offer. Your real estate agent will help you decide on an appropriate offer, but being pre-qualified gives you the confidence to know you can follow through.

More importantly, to a home seller, your being pre-qualified is like you walked into their house with a suitcase full of cash to make the deal! They won't have to wonder if they're wasting their time because you'll never qualify for a mortgage to finance the amount you're offering for the home. You have the clout of a buyer ready to make the deal right now!

An overview of the loan process

Make no mistake, there's a lot involved in getting a mortgage loan. You wouldn't be here on our website if you could fill out a one-page application and get the best loan for you funded the same day. What we do is do most of the heavy lifting for you, so you can concentrate on what's important -- preparing to move into your new home, saving money, or making plans for your home equity check.

There are four main steps involved in getting a loan. You'll see that we've made your part in them as easy as possible, and we do all the work! That's what we're here for.

Step one: determine how much you can borrow

This is a function of a couple things. How much of a monthly payment can you afford? And given your unique credit and employment history, income and debt, and goals, how much will a lender loan you? The first part you can get a rough idea of by using the calculators on our website. We'll also help you through different scenarios by asking a few simple questions. Based on standard lender guidelines, we'll get you a good idea of what kind of terms and loan program you can expect to benefit most from.

Step two: pre-qualify for your loan

This is where the rubber meets the road and you save the most money. You supply information about your employment, your assets, your residence history, and so on. We get your permission to run your credit score. When we review all this information we give you a Pre-Qualification Letter. Handle it with care -- to a home seller, it's like a suitcase full of cash! Your realty agent will use your Pre-Qual (as they may call it) to make the best offer on the home you choose, and the seller knows you're pre-qualified. It gives you buying clout! And while you're picking out the home that's right for you, we're busy finding the loan that's right for you.

Step three: apply now! We make it easy

Once you've made an offer and it's been accepted, it's time to complete the loan application. It couldn't be easier, and you can do it online, right here at our website. When the time is right, we'll order an appraisal of your new home.

Step four: your loan is funded

Your realty agent and the seller's will work together to designate an escrow/title company to handle the funding of your loan once it's approved. We'll coordinate with the escrow company to make sure all the papers your lender will need are in order, and you'll sign everything at the escrow/title company's office.

You've answered a few questions, given us some detailed information, applied online, and next thing you know, you're moving in! **We're in the business of mortgage loans, you're not -- so we do most of the work.** Doesn't that make sense?

Five ways to make the loan process go faster

We should say that "working with us" is the first way! When you let us help you find the loan that's right for you, you truly are taking advantage of some of the area's best technology and expertise to get you a loan decision and funding on your loan quickly.

But here are five "other" ways you can speed up the process of getting a mortgage loan:

1. Have everything ready and in one place. Elsewhere in this package, you'll find a list of things you might need in support of your mortgage application. If you get them all together and keep them in a safe, portable place like a special pouch or folder, you can cut down on time spent rooting around for things we may need. Also, you'll help cut down on your own anxiety and confusion.

2. Be honest and complete when you fill out your application. "Fudging" your employment or residence history or omitting open credit accounts you'd rather not have considered doesn't increase your chances of getting a favorable loan. In 100 percent of cases, it makes it harder, and takes longer.

3. Respond promptly to requests for additional information. During processing, we or the lender considering your loan may need additional information. Provide it as soon as you get the request, or return the call as soon as you get the message.

4. Be prepared to explain derogatory items in your credit report. This is really part of number 2 above. If you had an illness or a divorce where you missed or made late payments, or you have other instances of late payments or delinquencies on your credit report, be prepared to explain them. Be honest, and don't be nervous! The loan processor isn't judging you, they're trying to fill in all the blanks in their paperwork.

5. Let the appraiser in! (refinance) The appraisal is one of the lengthiest parts of the mortgage loan process. Studies have shown that the single biggest factor in appraisal "lag time" is the appraiser's inability to reach the homeowner to make an appointment. If you're refinancing and the appraiser calls to make an appointment, make it as soon as convenient for both of you.

And remember that **the appraiser doesn't want to buy your house.** He or she will say what the house is worth clean and tidy and in reasonable repair, even if you have some dirty laundry on the laundry room floor or dirty dishes in the sink. Cleaning doesn't get you a higher appraisal! Letting the appraiser in as soon as possible gets you a loan faster, though.

Loan Application Checklist

In general, the documentation you will need includes:

- ☐ Check for application fee

Property Information (if you already have a contract on a house)

- ☐ Purchase Agreement.
- ☐ Copy of legal description and MLS sheet.
- ☐ If you are selling your current home, copy of listing contract.
- ☐ If you have sold your current home, copy of settlement statement (HUD-1).

Income & Assets

- ☐ Pay stubs for the last 30 days.

  For the past two years:

  - ☐ Names and addresses of each employer.
  - ☐ W-2s
- ☐ Statements for each bank, mutual fund, and/or investment account for the last three months.
- ☐ Estimated value of personal property and furniture.

  If you have made any large deposits to your accounts:

  - ☐ Explanation and source for deposit.
  - ☐ If large deposit was a gift:
    - ☐ Signed gift letter (lender can supply).
    - ☐ Copy of gift check.
    - ☐ Copy of deposit receipt.

  If you own more than 25% of a business:

  - ☐ Corporate or partnership tax returns.

If self-employed:

- ☐ Tax returns for the last three years (with schedules).
- ☐ Year-to-Date Profit and Loss Statement prepared by an accountant.

If you own rental property:

- ☐ Tax returns for the last two years and current rental agreements.

If you are retired:

- ☐ Pension Award Letter.

If you receive Social Security:

- ☐ Social Security Award Letter.

If you are counting child support as income:

- ☐ Copy of divorce settlement.
- ☐ Copy of twelve months of cancelled child support checks.

Debts

- ☐ Names, addresses, account numbers, balances and monthly payments on all current loans.
- ☐ Explanation of credit report anomalies, including:
  - ☐ Late payments, credit inquiries in the last 90 days, charge-offs, collections, judgments and/or liens.
  - ☐ Bankruptcy filed within last seven years (bring a copy of your bankruptcy papers).

VA Loans

- ☐ Copy of DD Form 214, Report of Separation.

Miscellaneous

- ☐ Photo ID and proof of Social Security number.

- ☐ Residence addresses for the past two years.
- ☐ If applicable, a copy of your divorce decree.
- ☐ If you are not a citizen, a copy of the front and back of your green card.

Verifying Your Down Payment, Closing Costs, Assets, Income and Debts

A critical step in the mortgage loan application process is to verify the sources for your down payment, closing costs and assets, as well as documenting income and debts. The lender uses this step to determine your qualifications as a borrower.

Down Payment & Closing Costs

Documenting that the down payment comes from your savings and that you will have savings and/or assets over and above the down payment gives the lender confidence in your strength as a borrower and your ability to repay the loan.

Take extra care to document the sources for any monies to be used for the down payment or closing costs.

Acceptable Down Payment & Closing Costs Sources

- Cash in a bank account
- Mutual funds / stocks / IRA / 401K
- Proceeds from the sale of another property
- Gift from an immediate relative

Assets

Collect information about your personal assets that add to your net worth and help to prove your credit worthiness.

Common Assets Considered in a Mortgage Loan Application

- Stocks, bonds, mutual funds, 401K and retirement accounts
- Life insurance
- Personal property estimate - cars, boats, antiques, jewelry, etc.
- Other real estate or property

Income and Employment

The lender will want to confirm your current gross income and have evidence of stable employment. Documentation requirements vary depending upon a number of factors - including the source of income (hourly, salary, salary + bonuses, salary + commission, commission, self-employed, etc.).

Debts

Your lender will want to review a list of all your current debts. This along with your credit report will provide the lender with a snapshot of your obligations. The lender will want to confirm that you will not be overextended when the mortgage payment is added to your current debt load.

The Down Payment

The amount you have available for a down payment will affect what types of loans for which you can qualify. Down payments typically range from 3 to 20 percent of the sales price for the property.

Tips for Accumulating a Down Payment

- **Save**
  Look for ways to reduce your monthly expenditures to save toward a down-payment. You could enroll for an automatic savings plan at your bank to have a portion of your payroll automatically transferred into savings. Most people save a couple of years for their down payment.
- **Borrow the down payment from your retirement plan**
  Check the provisions of your retirement plan. You can borrow funds from a 401(k) plan for a down payment or make a withdrawal from an Individual Retirement Account. Be sure you understand the tax consequences, repayment terms and/or possible early withdrawal penalties.
- **Move**
  You may be able to save additional funds if you can move into less expensive housing.
- **Reduce other higher interest rate debt**
  Paying off credit cards will initially reduce your savings, but the money you will save from higher interest rates will pay-off in the long run.
- **Make a deal with the seller**
  In some circumstances, it is appropriate to ask the seller to carry a second-mortgage to cover your down payment. Typically, you will pay a slightly higher rate for this second mortgage.
- **Sell some investments**
- **Get a second job and save your earnings**
- **Skip a year's vacation**
- **Gift from Family**
  Parents and other family members are often anxious to help children buy their first home and may have the means to give you a gift of money for a portion or all of your down payment.

Alternative Sources

- **No-down and low-down Mortgages**
  - **FHA Loans**
    The Federal Housing Authority (FHA), which is part of the U.S. Department of Housing and Urban Development (HUD), plays a significant role in helping low- to moderate-income families qualify for mortgages. FHA assists first-time buyers and others who would not qualify for a conventional loan, by providing mortgage insurance to private lenders. Interest rates for an FHA loan are usually the going market rate, while the down payment requirements for an FHA loan are lower than conventional loans. The required down payment can be

as low as 3 percent and the closing costs can be included in the mortgage amount.

- **VA Loans**
  VA Loans are guaranteed by the U.S. Department of Veterans Affairs. Service persons and veterans can qualify for a VA Loan, which usually offers a competitive fixed interest rate, no down payment and limited closing costs. While the VA does not issue the loans, it does issue a certificate of eligibility required to apply for a VA loan.

- **Piggy-back Loans**
  A second mortgage that closes with the first. Often the first mortgage is for 80% of the purchase price and the "piggyback" is for 10%. The home buyer covers the remaining 10% with their down payment. (Some lenders will write a second mortgage of 15% or even 20% of the purchase price.)

- **"Carry Back" Mortgage**
  In the case of the seller "carrying back a second mortgage", the seller loans you part of his or her equity. In this scenario, you would finance the majority of the loan with a traditional mortgage lender and finance the remaining amount with the seller. Typically you will pay a slightly higher interest rate on the loan financed by the seller.

- **Housing Finance Agencies**
  These agencies offer special loan programs to low- and moderate-income buyers, buyers interested in rehabilitating a home in a targeted area, and other groups as defined by the agency. Working through a housing finance agency, you can receive a below market interest rate, down payment assistance and other incentives.

  The primary mission of Housing Finance Agencies is to boost home ownership in targeted areas, among first-time buyers and those with little money for down payments. Most of these non-profit agencies were funded with state government seed money and now operate independently.

- **Documenting Your Down Payment**

  Documenting that the down payment comes from your savings and that you will have savings and/or assets over and above the down payment gives the lender confidence in your strength as a borrower and your ability to repay the loan.

  Take extra care to document the sources for any monies to be used for the down payment or closing costs.

Acceptable Down Payment & Closing Costs Sources

- Cash in a bank account
- Mutual funds / stocks / IRA / 401K
- Proceeds from the sale of another property
- Gift from an immediate relative

Closing Costs

There are certain standard costs associated with closing the sale of a house. These fees are split between the buyer and the seller, as spelled out in the sales contract.

As I negotiate the sales contract for you, I will not only work to get the sales price you want, I will also work to limit the number of closing costs for which you will be responsible.

I will walk you through the closing costs, answering any questions you may have explaining which costs are decreed by law to be yours and which are negotiable.

Good Faith Estimate

Buyers will receive a "Good Faith Estimate" of closing costs at the time the loan application is submitted to the lender. The estimate is based on the loan officer's past experience and may not include all the closing costs. I will be glad to review the "Good Faith Estimate," answering questions and highlighting missing costs and estimates I believe to be low.

Standard Closing Costs

Loan-Related Costs

- Loan Origination Fee
- Points (optional)
- Appraisal Fee
- Credit Report
- Interest Payment
- Escrow Account

Taxes

- Property Taxes
- Transfer Taxes and Recording Fees

Insurance

- Homeowners Insurance
- Flood or Quake Insurance
- Private Mortgage Insurance (PMI)
- Title Insurance

Loan-Related Closing Costs

Loan Origination Fee
This covers the administrative expenses in setting-up and processing the loan. The loan origination fee may be a percentage of the mortgage amount.

Points (optional)
An option for the home buyer is to pay points to lower the interest rate at which the loan will be repaid. Each point equals 1 percent of the mortgage amount. For example: on a $150,000 loan, 1 point would equal $1,500.

Appraisal Fee
The fee for having the house appraised may be incorporated into the closing costs or payment may be required by the lender at the time the loan application is submitted.

Credit Report
The lender uses a credit report to determine the creditworthiness of the loan applicant. This fee is often paid when the loan application is submitted.

Interest Payment
Typically the buyer is required to pay interest on the mortgage loan to cover the time between the closing date and when the first mortgage payment period begins. For example: If closing is on May 15. Your first monthly payment begins to accrue interest on June 1 with your first mortgage payment due July 1. At closing an interest payment covering the accrual period between May 15 and May 31 may be required.

Escrow Account
At closing a payment may be required to fund the escrow account if the lender is paying home insurance, property taxes and/or other expenses out of the escrow account.

Tax Closing Costs

Property Taxes
This is the one closing cost that is often prorated between the buyer and seller. If the seller has already paid the annual property taxes, the buyer typically reimburses the seller for the period in which the buyer will be occupying the property. Likewise, if the taxes have not yet been paid, the seller typically reimburses the buyer for the period in which the buyer occupied the property.

Transfer Taxes and Recording Fees
This is the cost for transferring ownership of the property and recording the purchase documents. The fee is often calculated as a percentage of the sales price.

Insurance Closing Costs

Homeowner's Insurance
This insurance covers replacement costs for damages caused by fire, wind or other disaster that might affect the value of the property. Typically, the insurance also includes personal liability and theft coverage.

Flood or Quake Insurance
Additional hazard insurance coverage that is required for homes located in a designated hazard zone as established by the Federal Emergency Management Agency (FEMA). As we tour houses, I will let you know if the property resides in a hazard zone.

Private Mortgage Insurance (PMI)
Insurance required for conventional mortgage loans when the borrower's down payment on the house is less than 20 percent of the loan value.

Title Insurance
This policy protects both the buyer and lender by insuring a clear chain of title. (In other words, it insures that that the person who sells the house has the legal right to do so.)

What are homeowner's insurance, private mortgage insurance and title insurance?

A **homeowners insurance policy** is a package policy that combines more than one type of insurance coverage in a single policy. There are four types of coverages that are contained in the homeowners policy: dwelling and personal property, personal liability, medical payments, and additional living expenses. Homeowner's insurance, as the name suggests, protects you from damage or loss to your home or the property in it.

Remember that flood insurance and earthquake damage are not covered by a standard homeowners policy. If you buy a house in a flood-prone area, you'll have to pay for a flood insurance policy that costs an average of $400 a year. The Federal Emergency Management Agency provides useful information on flood insurance on its Web site at www.fema.gov. A separate earthquake policy is available from most insurance companies. The cost of the coverage will depend on the likelihood of earthquakes in your area.

Private mortgage insurance and **government mortgage insurance** protect the lender against default and enable the lender to make a loan which the lender considers a higher risk. Lenders often require mortgage insurance for loans where the down payment is less than 20 percent of the sales price. You may be billed monthly, annually, by an initial lump sum, or some combination of these practices for your mortgage insurance premium. Mortgage insurance should not be confused with mortgage life, credit life or disability insurance, which protect you and are designed to pay off a mortgage in the event of your death or disability.

You may also encounter "lender paid" mortgage insurance ("LPMI"). Under LPMI plans, the lender purchases the mortgage insurance and pays the premiums to the insurer. The lender will increase your interest rate to pay for the premiums -- but LPMI may reduce your settlement costs. You cannot cancel LPMI or government mortgage insurance during the life of your loan. However, it may be possible to cancel private mortgage insurance at some point, such as when your loan balance is reduced to a certain amount. Before you commit to paying for mortgage insurance, ask us about the specific requirements for cancellation in your case.

Title insurance is usually required by the lender to protect the lender against loss resulting from claims by others against your new home. In some states, attorneys offer title insurance as part of their services in examining title and providing a title opinion. The attorney's fee may include the title insurance premium. In other states, a title insurance company or title agent directly provides the title insurance.

A lenders title insurance policy *does not protect you*. Neither does the prior owners policy. If you want to protect yourself from claims by others against your new home, you will need an **owner's title policy**. When a claim does occur, it can be financially devastating to an owner who is uninsured. If you buy an owner's policy, it is usually much less expensive if you buy it at the same time and with the same insurer as the lender's policy.

To save money on title insurance, compare rates among various title insurance companies. Ask what services and limitations on coverage are provided under each policy so that you can decide whether coverage purchased at a higher rate may be better for your needs. However, in many states, title insurance premium rates are established by the state and may not be negotiable. If you are buying a home which has changed hands within the last several years, ask your title company about a "reissue rate," which would be cheaper. If you are buying a newly constructed home, make certain your title insurance covers claims by contractors. These claims are known as "mechanics liens" in some parts of the country. The American Land Title Association has consumer title insurance information available at its website, www.alta.org.

Title Insurance = Peace of Mind

Purchasing a home is probably the single biggest investment you will ever make. Before closing on the house, you'll want to know that no other individual or entity has a right, lien or claim to the property.

Determining that your rights and interests to the property are clear is the business of a **title insurance company**.

For a modest, one-time title insurance premium, you will receive continuous title insurance protection in an amount equal to the purchase price of the property or its current market value. This premium typically includes your "owners" policy as well as the "lenders" policy.

One of the marked advantages of title insurance is that prior to a policy being issued, the title insurance company completes extensive research into relevant public records, maps and documents to trace ownership of the property and determine if anyone other than you has an interest in the property. Through its research, the title insurance company can usually identify any title problems that may arise and have these problems cleared-up prior to closing.

Your title insurance owner's policy will describe the property and outline any recorded limitations on your ownership. It will also set forth the title insurance company's responsibilities should any claim covered by the policy terms arise. Typically your title insurance will protect you from loss:

- if someone contests your title in legal action (the title insurance company will defend the title at no expense to you),
- or if there is a title defect that cannot be eliminated (the title insurance company will protect you from financial loss - up to the amount of the policy).

What are the advantages of fixed rate versus adjustable rate loans?

With a **fixed-rate loan**, your monthly payment of principal and interest never change for the life of your loan. Your property taxes may go up (we almost said down, too!), and so might your homeowner's insurance premium part of your monthly payment, but generally with a fixed-rate loan your payment will be very stable.

Fixed-rate loans are available in all sorts of shapes and sizes: 30-year, 20-year, 15-year, even 10-year. Some fixed-rate mortgages are called "biweekly" mortgages and shorten the life of your loan. You pay every two weeks, a total of 26 payments a year -- which adds up to an "extra" monthly payment every year.

During the early amortization period of a fixed-rate loan, a large percentage of your monthly payment goes toward interest, and a much smaller part toward principal. That gradually reverses itself as the loan ages. You might choose a fixed-rate loan if you want to lock in a low rate. If you have an Adjustable Rate Mortgage (ARM) now, refinancing with a fixed-rate loan can give you more monthly payment stability.

Adjustable Rate Mortgages -- ARMs, as we called them above -- come in even more varieties. Generally, ARMs determine what you must pay based on an outside index, perhaps the 6-month Certificate of Deposit (CD) rate, the one-year Treasury Security rate, the Federal Home Loan Bank's 11th District Cost of Funds Index (COFI), or others. They may adjust every six months or once a year.

Most programs have a "cap" that protects you from your monthly payment going up too much at once. There may be a cap on how much your interest rate can go up in one period -- say, no more than two percent per year, even if the underlying index goes up by more than two percent. You may have a "payment cap," that instead of capping the interest rate directly caps the amount your monthly payment can go up in one period. In addition, almost all ARM programs have a "lifetime cap" -- your interest rate can never exceed that cap amount, no matter what.

ARMs often have their lowest, most attractive rates at the beginning of the loan, and can guarantee that rate for anywhere from a month to ten years. You may hear people talking about or read about what are called "3/1 ARMs" or "5/1 ARMs" or the like. That means that the introductory rate is set for three or five years, and then adjusts according to an index every year thereafter for the life of the loan. Loans like this are often best for people who anticipate moving -- and therefore selling the house to be mortgaged -- within three or five years, depending on how long the lower rate will be in effect.

You might choose an ARM to take advantage of a lower introductory rate and count on either moving, refinancing again or simply absorbing the higher rate after the introductory rate goes up. With ARMs, you do risk your rate going up, but you also take advantage when rates go down by pocketing more money each month that would otherwise have gone toward your mortgage payment.

How do you "buy" a better rate?

Do you plan on keeping your loan for a while? Then it may make sense to "buy" a lower interest rate by paying one or more "points."

Even if you're unsure of how long you plan to keep your mortgage before you move or refinance, paying points now for a lower rate may make sense. For example, do you have a high-paying job now but you think you might change careers in the next few years? We can help you sort it out. It's part of our finding the right loan for your means and goals.

A point -- which equals one percent (1%) of the total loan amount -- is an up-front fee that lowers your monthly interest rate and total interest due over the life of the loan. So, a one point loan will have a lower interest rate than a no point loan. Basically, when you pay points you trade off paying money later in favor of paying money now. You can pay fractions of points, meaning there are a lot of points packages that can make a loan's terms more favorable if that's what's right for you.

There are a variety of rate and point combinations available. When you look at different loan programs, don't look just at the rate -- compare the whole package. Federal law requires lenders to publish their loans' Annual Percentage Rate, or A.P.R.. The A.P.R. is a tool used to compare different terms, offered rates, and points.

What is the difference between the interest rate and the A.P.R.?

You'll see an interest rate and an Annual Percentage Rate (A.P.R.) for each mortgage loan you see advertised. The easy answer to "why" is that federal law requires the lender to tell you both.

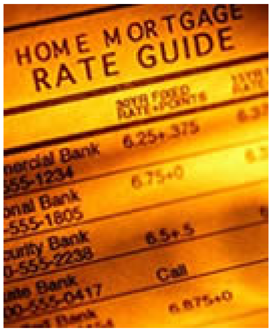
The A.P.R. is a tool for comparing different loans, which will include different interest rates but also different points and other terms. The A.P.R. is designed to represent the "true cost of a loan" to the borrower, expressed in the form of a yearly rate. This way, lenders can't "hide" fees and upfront costs behind low advertised rates.

While it's designed to make it easier to compare loans, it's sometimes confusing because the A.P.R. includes some, but not all, of the various fees and insurance premiums that accompany a mortgage. And since the federal law that requires lenders to disclose the A.P.R. does not clearly define what goes into the calculation, A.P.R.s can vary from lender to lender and loan to loan.

The A.P.R. on a loan tied to a market index, like a 5/1 ARM, assumes the market index will never change. But ARMs were invented because the market index changes and makes fixed rate loans cheaper or more expensive to make -- that's why they're variable rate in the first placed!

So, A.P.R.s are at best inexact. The lesson is, that A.P.R. can be a guide, but you need a mortgage professional to help you find the truly best loan for you.

Note when you're browsing for loan terms that the A.P.R. will not tell you about balloon payments or prepayment penalties, or how long your rate is locked. Also, you'll see that A.P.R.s on 15-year loans will carry a higher relative rate due to the fact that points are amortized over a shorter period of time.



What is a "rate lock period"? How can you make sure your rate is low?

A rate lock or a rate commitment is a lender's promise to hold a certain interest rate and a certain number of points for you for a specified period of time while your application is processed. This prevents you from going through your whole application process and at the end of it finding out the interest rate has gone up.

A rate lock period can vary in length, and longer ones usually cost more. A lender will agree to "hold" your interest rate and points for a longer period, say 60 days, but in exchange the rate and maybe points are higher than with a shorter rate lock period, for example.

There are many ways besides opting for a shorter rate lock period to get a lower rate, though. A larger down payment will result in a lower interest rate than a smaller one, because you're starting out with more equity. You can pay points to lower your rate over the life of the loan, but that means you pay more up front. For many people, this makes sense and is a good deal.

Closing costs are fees paid by the lender, which the lender in turn charges you to close the loan. Many people pay closing costs when they sign on the dotted line, but many finance their closing costs. Paying closing costs when the loan closes will reduce your interest rate.

Finally, the interest rate a lender is willing to offer you depends on your credit score and your income-to-debt ratio. If you have good credit and your income far exceeds your debt obligations, you will qualify for a lower rate.

Closing the Sale

Escrow
To finalize the sale of the home a neutral, third party (the escrow holder, a.k.a. escrow agent) is engaged to assure the transaction will close properly and on time. The escrow holder insures that all terms and conditions of the seller's and buyer's agreement are met prior to the sale being finalized, including receiving funds and documents, completing required forms, and obtaining the release documents for any loans or liens that have been paid off with the transaction, assuring you clear title to your property before the purchase price is fully paid.

The documentation the escrow holder may be collecting includes:

- Loan documents
- Tax statements
- Fire and other insurance policies
- Title insurance policies
- Terms of sale and any seller-assisted financing
- Requests for payment for various services to be paid out of escrow funds

Upon completion of all instructions of the escrow, closing can take place. All outstanding payments and fees are collected and paid at this time (covering expenses such as title insurance, inspections, real estate commissions). Title to the property is then transferred to the seller and appropriate title insurance is issued as outlined in the escrow instructions.

At the close of escrow, payment of funds shall be made in an acceptable form to the escrow. As your real estate agent, I'll inform you of the acceptable form.

The Escrow Holder Will:		The Escrow Holder Won't:
• Prepare escrow instructions • Request title search • Comply with lender's requirements as specified in the escrow agreement • Receive funds from the buyer • Prorate insurance, tax, interest and other payments according to instructions • Record deeds and other documents as instructed • Request title insurance policy		• Give advice - the escrow holder must maintain neutral, third-party status • Offer opinions about tax implications

• Close escrow when all instructions of seller and buyer have been met • Disburse funds and finalize instructions		

Mortgage Escrow Account

A Mortgage Escrow Account is established to pay on-going expenses while there is a loan on the house. These expenses include property taxes, home insurance, mortgage insurance, and other escrow items. Generally, the Escrow Account is partially funded at closing and the home buyer makes on-going contributions through their monthly mortgage payment.

How can you improve your credit score?

It's virtually impossible to change your score in the time between when most people decide to buy a home or refinance their mortgage and when they apply. So the short answer is, you really can't "on the spot." But there are strategies you can live with to make sure when you apply for a loan your score is as high as possible.

Make sure that the information each of the three credit reporting bureaus has on you is consistent and up to date. Order a copy of your credit report about once a year, and dispute any inaccuracies.

Note: Theoretically, if a series of credit reports is requested on your behalf during a limited amount of time, your score goes down until time passes without any inquiries. Changes in the law though have made "consumer-originating" credit report requests not count so much. Also, a series of requests in relation to getting a mortgage or car loan is not treated the same as a number of credit card requests in a limited time. This is because the credit bureaus, and lenders, realize that people request their own credit reports to keep up with what's on them, and smart consumers shop around for the best mortgage and car loans.

Unsolicited credit card solicitations in the mail don't count against your credit report, so don't worry.

The two main components of your credit score are your payment history and the amounts you owe. Bankruptcy filings and foreclosures, which can stay on your credit report for as many as 10 years, can significantly lower your score. It's never a good idea to take on more credit than you can handle.

Late payments work against you. It's extremely important to pay bills on time, even if it's only the monthly payment.

Dont "max out" your credit lines. Since the size of the balance on your open accounts is a factor, lower balances are better.

It's said that by carefully managing your credit, it's possible to add as much as 50 points per year to your score.