

To the First Time Home Buyer

I would like to prepare you for your journey. To the uninformed it is an overwhelming process. Please realize and accept that it is this way for everyone. They are not picking on you. The process is so very through that some people are shocked and/or stunned.

First, as a basis for understanding, the legal description “Real Property” describes Real Estate and is different than the legal description of “Personal Property” which is given to describe just about everything else.

When getting a credit card or financing a store purchase, it’s usually only a one page form. Financing a car – maybe a couple of forms. But a home loan, WOW!!! As you might have begun to imagine, financing a home (Real Property) is unlike any other type of financing. In addition to a more lengthy application, you have Federal Disclosures, State Disclosures, HUD Disclosures, Company Disclosures, Estimates of Closing Costs, Truth-in-Lending forms, Rate Locks, and all kinds and types of forms and documents.

When arranging financing on a home, final approval will come from an authorized “Mortgage Underwriter”. In addition to the three “C’s”, Credit – Capacity– and Collateral, they will be reviewing three primary aspects of the transaction.

First - will be the Credit of the Borrower, here we must identify your “Willingness and Ability” to repay the loan. Willingness is determined by your credit history and Ability is proven by Debt to Income (DTI) ratio’s as set by the lender. DTI ratios are explained more completely in a later chapter.

Second – is the Collateral. An Appraisal Report prepared by a Licensed Appraiser determines value of your home. This report will prove the Land and Building values by the replacement approach and compared to recent sales of comparable properties.

Third – the Seller must provide a “Clear Title”. There are so many things that could cloud a title that most Lenders require a Title Insurance policy just incase something does come up. More is detailed on this in a later chapter as well.

In states that allow Homesteading, there are also additional unique legal issues. And finally, since the ultimate source of the money used to finance Real Property is either the Securities Industry or large Institutional Investors they must very closely scrutinize all of the various transaction documents.

Then when you think they couldn’t possibly need anything else, don’t be surprised. Depending on the circumstances, it is not unusual for an Underwriter to ask for additional information. Just provide it as quickly as possible. They are trying to be Deal Makers not Deal Breakers.

In this case “The End Justifies the Means”.

Contact me if you have any questions- Sam Spence - 407-509-8150 - SRS1206@msn.com