

A Step-by-Step Guide to Buying a Home



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of the biggest decisions of your life revolves around your home and your home mortgage. Buying a home is an exciting process. It may also seem complicated, and you may be wondering where to start. You need to know what home ownership will mean to you, who to talk to, and exactly how the buying process works. This guide will start to answer those questions for you. It is important that you understand the steps involved in buying a home before you begin. The more knowledgeable you are from the beginning, the fewer problems you will face and the more money you will save. This guide will highlight the many advantages of being a homeowner and take you step-by-step through the entire process of buying a home. Successful home buying is a team sport. The process involves several different people who can help you make the right decisions. Your job is to lead and coach the team, not play every position. This guide will help you understand the role of the various key players involved. Once you understand the part each team member plays, you will have a better idea of what to look for in those individuals. After you've assembled a winning team, your players should give you solid advice so that you can make brilliant decisions. Our role as mortgage consultants and Realtors is to help make getting your mortgage a smooth and easy process.

The Advantages of Homeownership

Owning your own home can bring pride as well as financial rewards. Let's look at some of the advantages of owning a home over renting one.

Pride of Ownership

There is nothing like "Home Sweet Home!" You can call your home yours and take pride of ownership. A home is a place you can give character, design, and decorate to express personal tastes. Unlike renting, you have the freedom to do what you want.

Financial Rewards

For most homeowners, the incentives for owning are financial. How many times have you heard renters say, "I am tired of throwing my money out the window?" What homeownership means to you is a great short or long term investment for a number of reasons: scheduled savings, stable housing costs, increase in value, and tax benefits.

Scheduled Savings

When you buy a house, your mortgage payments will include principal and interest payments. The principal portion serves as a type of scheduled savings plan. Each time you pay down the principal portion of your mortgage you build up equity in the property. Equity is an ownership interest in the property that you can borrow against or convert to cash when selling the house. On the other hand, renters never build up equity and are virtually throwing money away.

Stable Housing Costs

Another big advantage to owning a home compared to renting is that your monthly mortgage payments will remain constant. As inflation and housing demands go up, rents will typically increase. In contrast, the principal and interest portion of most mortgage payments remain unchanged throughout the entire term of the mortgage, which is typically 30 years. Your fixed rate mortgage is inflation free for the entire payment period.

Increased Value

Over time your house will increase in value. This process is called appreciation. Typically a house's value will appreciate 3% to 4% per year. For example, let's say you purchase a home for \$100,000 today. How much will your house have appreciated in 30 years? On the low side, if you use a rate of 3%, your house will have gone up in value by \$142,726, making your home worth \$242,726 in 30 years. If your house were to appreciate by a rate of 4% per year, your house will have gone up in value by \$224,339, making your house worth \$324,339 in 30 years.

Tax Benefits

Additional advantages of being a homeowner are the tax breaks you will receive which are not available to renters. While the principal portion of your mortgage builds equity, the interest portion of your mortgage is called interest expense and is tax-deductible. Your property taxes are also deductible. These alone can save homeowners considerable amounts of money each year in income taxes.

Renting vs. Buying

Let's review the financial advantages of owning versus renting with an example:

If you were to buy a home for \$120,000, put 10% or 20% down and plan on living there for approximately 10 years, look at what you could save,* before factoring in the tax benefits and property tax expenses.

	Monthly Payment	Number of Months	Total Payment Amount	Total Savings
Rent	\$850.00	x 120 =	\$102,000.00	\$0
Buy * Option 1	\$727.78	x 120 =	\$87,333.60	\$14,666.40
Buy * Option 2	\$598.92	x 120 =	\$71,870.40	\$30,129.60

* Option 1

Purchase Price:\$120,000.00
 10% Down:\$12,000.00
 Loan Amount:\$108,000.00
 Principal & Interest:\$673.78
 Mortgage Insurance***:\$54.00
 Payment:\$727.78

* Option 2

Purchase Price:\$120,000.00
 20% Down:\$24,000.00
 Loan Amount:\$96,000.00
 Principal & Interest:\$598.92
 Payment:\$598.92

**Based on a 30 year fixed rate mortgage at 6.375%
 APR 6.856% - 10% down; APR 6.459% - 20% down

**Annualized Percentage Rate (APR) - APR is a measurement used to compare different loans offered by competing lenders, which takes into account both the interest rate and closing fees. Unlike an interest rate, an APR gives you a bigger picture when shopping for the best deal on a loan. For example, an APR lets you see the total cost of a mortgage, including closing fees and lender points over the life of a loan - not just the interest due. Even though lenders are required by law to show a loan's APR, they don't all use the same fees in their calculation, skewing the comparison. So always check to make sure that the APRs you are comparing include similar fees.

***Mortgage Insurance - If the down payment is less than 20% of the purchase price, your loan may have to be approved by a mortgage insurer. Mortgage Insurance is an insurance policy provided by non-government insurers that protects the investor against the loss if a borrower defaults. It does not protect you, the borrower, but is necessary to obtain the mortgage.

The Key Players

Buying a home is a very personal decision, but you may be surprised at how many people will influence your decisions through the process. Consequently, it is important to know each key player's role and what to expect.

Mortgage Loan Officers

We will help make getting your mortgage an easy process for you, especially if this is your first home purchase and you are not sure what to expect. After you are pre-qualified and your loan application is filled out, we will give you a detailed idea of all of your expenses up front. Furthermore, we will make sure that you receive the best interest rate for the financing program that you choose. It is important that you see us early in the home buying process, so you can figure out how much you can afford to spend on your home. Along with 1862 Mortgage, we are dedicated to making the lending process quick and easy for you. The biggest financial decision of your life revolves around your home mortgage. At 1862 Mortgage, solutions are simple. Since we earn our paycheck by making sure that you get into your new home, we will be working extremely hard behind the scenes. Our goal is simple: we are dedicated to helping you understand the steps that are involved in the home buying process from start to finish.

Ruhl&Ruhl Sales Associate

A skilled Ruhl&Ruhl sales associate can be the foundation of your real estate team. An associate can help you find a home that meets your needs, negotiate for the home on your behalf, supervise property inspections, and coordinate the closing. A good associate's negotiating skills and knowledge of property values can save you thousands of dollars.

Loan Processor

The loan processors at 1862 Mortgage collect and prepare the necessary paperwork for your loan file in order to submit it with as few conditions as possible. Conditions are the items necessary to complete your loan such as bank statements, copies of most recent pay stubs, W-2's, etc. The processors work with loan officers, and the underwriter, to expedite your loan approval. This process includes everything from reviewing the loan application for any potential problems that may hinder your approval to mailing and collecting verifications of your bank deposits.

Underwriter

The underwriter works with the mortgage company and has the final say as to whether your loan will be approved. He/She evaluates your financial status based on the information that was supplied from your loan application to determine its validity and your ability to make your mortgage payments.

Appraiser

The appraiser will visit the property you are thinking about buying and do a detailed study to determine its estimated value. The major elements that the appraiser uses to determine the market value are a comparison of the property to similar properties that have recently sold and compare its condition, age, amenities, and square footage. This estimate will help the underwriter determine the amount of the loan. Keep in mind the appraiser will not do a detailed inspection - that is the inspector's job.

Home Inspector

You can hire an inspector of your choice to go through the property, in detail, to make sure everything is in good working condition and that there are no hidden defects. The report is supplied as an objective aid in determining the physical condition of the property in order to aid you in making your own evaluation of the home. The inspection is not intended to reflect the value of the premises, nor make any representation as to the advisability of purchase. The inspector will not find every problem with the house, but will minimize the chances that there will be any major problems after you move in. For a list of licensed home inspectors, go to RuhlHomes.com/vendors.

Closing Agent/Attorney/Title Examiner

The closing agent is a disinterested third party who acts as a liaison between the buyer and seller. (Some buyers use attorneys while others use title companies.) He/She handles all the appropriate paperwork and records the transaction at the County Records Office. The closing agent at the title company is responsible for collecting all the loan documents and making sure that there are no title defects. This means that when you close on the property, the closing agent will ensure that you have clear title to the property. The closing agent will explain all of the closing documents to you and obtain the necessary signatures. Lastly, the closing agent collects the necessary down payment from the buyer(s) and loan funds provided by 1862 Mortgage, and disperses the money to the appropriate parties at closing. Buyers are always welcome to have their personal attorney review offers to purchase and related documents as well.

Immediate Family & Relatives

If you are concerned about getting the necessary funds to make the purchase of your new home, there may be someone that is willing to give you some money; it is not uncommon for immediate family or relatives to gift you the funds. There are certain rules that need to be followed and a simple form to be filled out during the gift process.



Key Steps

Unless you have a considerable amount of cash on the sidelines to put toward a house, you will have to go through the necessary steps to obtain a mortgage before closing on your home. Each step must be completed before going to the next step. Understanding each step will help speed up the process and allow you to spend your time more wisely. These steps are:

Mortgage Pre-Qualification

It's important to sit down with a lender and get pre-qualified. This will help you understand what you can afford before you buy, which is called your buying power. Furthermore, this will save you valuable time because you will not be out looking for houses that you can't afford. Pre-qualifying is a cursory review of your ability to purchase a home. There is no charge to be pre-qualified. Most Realtors recommend you get pre-approved.

Pre-Approval

Pre-approval is a smart thing to do. Your 1862 Mortgage Loan Officer will review your credit profile based on a credit report and personal credit information you supply. This process not only lets you know exactly what you can afford before you start shopping for your dream home, it puts you in a stronger negotiating position with the sellers. Imagine a seller holding two offers to purchase... one buyer pre-approved and the other not. Your pre-approval letter, attached to your offer to purchase, gives you the edge. It is almost like a "cash offer." Be as thorough as you can be when supplying your 1862 Mortgage Loan Officer the information he or she requests from you prior to completing the credit portion of your application. Look for the list of things to bring to the application in the section of this guide noted as "Items Necessary to Process a Loan" found on page 13. The pre-approval process can be completed in as few as one or as many as seven days, at little or not cost.

Loan Application

The loan application is the most important step in purchasing your home. After you find the home you desire, the clock starts running based on a time line agreed to in your offer to purchase. The signed agreement becomes a legal binding contract exactly as it is written. You must meet all conditions and time lines or face additional negotiations or serious consequences. The single most important part of the process is obtaining the mortgage/money to complete the transaction. Submitting a complete 1862 Mortgage application is the best way to obtain the necessary mortgage funds in a timely manner. There are a few easy, quick and hassle-free ways to complete your 1862 Mortgage application. If you are already pre-approved, you are more than halfway home. You can complete the application in a "face-to-face" visit with your 1862 Mortgage Loan Officer or you can complete the Credit Analysis Questionnaire online at 1862Mortgage.com. Please remember... the clock is running... deliver supporting documentation to your 1862 Mortgage Loan Officer via mail or other approved delivery methods as quickly as possible.



Select a Ruhl&Ruhl REALTORS Sales Associate

A knowledgeable Ruhl&Ruhl sales associate will save you valuable time and money. He or she will sit down with you and create a list of features that you are looking for in your new home. Once your associate understands what you are looking for and what you can afford, since you have been pre-approved, they will go to work searching for that perfect house. Sales associates have access to a multiple listing service (MLS) that allows them to search for listings based on the criteria that you provided. You can assist your sales associate by searching the Ruhl&Ruhl website at RuhlHomes.com for homes that meet your criteria. Once you and your sales associate have found a home that you are interested in, your sales associate will do a comparative market analysis (CMA) for you. A CMA compares the prices of similar homes that are currently listed and have already sold. This will give you a good understanding of the current market values, so you don't over pay.

Making Offers/Signing a Contract

During this process your sales associate will take you step-by-step through the purchase contract and what each section means. At this point it will be up to you to make a decision and sign the contract. Then your sales associate will go to work negotiating the deal with the listing agent and seller. Remember that buying a home is an emotional experience for most people. The better job you do of controlling your emotions, the more likely you are to control the transaction and get a good deal.

Inspection of Property

It is advisable to write your offer subject to a whole house inspection. After an offer has been made you should hire an inspector of your choice to go through the property in detail to make sure everything is in good working condition and that there are no hidden defects. Don't try to save money by skipping inspections. Have the home thoroughly inspected before you buy it. If in doubt, reinspect.

AHS Home Warranty

If a seller is not already offering a home warranty, it is advisable to request one as part of your offer to purchase. This protects you from unexpected expenses on covered systems and appliances. Be sure to read the warranty carefully so you understand what is and isn't covered.

Closing

The final step is closing the deal. This takes place at an attorney's office or a title company of your choice. When all the applicable paperwork has been signed, notarized and recorded at the County Recorders Office, the keys are handed over to you. Title to the property is conveyed to you through a recorded deed, which is a written instrument by which a property is conveyed.

Why Get Pre-Approved for a Mortgage

Not sure what price range you should explore or how expensive a home you should buy? Do you fear that your house payments may be too high or that you might not be able to afford the down payment?

1862 Mortgage's pre-approval process allows qualified individuals to quickly and easily obtain pre-approval from the comfort of your home by speaking with us.

Understanding how much you can afford to spend on a home before you begin your search is a big advantage. First, you will save valuable time looking only at homes within your price range. Second, you will have a competitive edge on other home buyers. You will be able to act quickly and the seller will know up front that you are a qualified, serious buyer. And you will be put in a better negotiating position by being pre-approved.

The pre-approval process is simple and harmless. Not only will this initial step help you understand how much of a home you can afford, but it will show how you can save money by maximizing your financing situation. Furthermore, your real estate sales associate will be able to do a much better job serving you.

In order to get pre-approved, you'll need to answer a few questions and provide us with some personal and financial information so that we can access your credit report. Once we access your credit report, we'll be able to tell you your pre-approval status.

If you have any questions or would like to set up a visit, please call us at 866.441.1862 or visit our website at 1862Mortgage.com.



The Loan Application

Your loan application is the most important document during the mortgage approval process. The information provided on the application will determine your status as a qualified borrower. Every step that follows is done to verify the information that you provide on the application. It can be broken down into the following sections:

Section I *Types of Mortgage & Terms of Loan*

The main items of concern to you in the first section of the application are the loan amount, interest rate, length of loan (number of months) and the loan type (fixed rate or ARM). If at the time that you're applying for your mortgage, you're unsure as to some of these options and what you're going to choose, simply leave the relevant spaces blank.

Section II *Property Information & Purpose of Loan*

The purpose of this section is to find out the property information and purpose of the loan. Furthermore, you must declare how you will hold title to the property. Lastly, we need to know where your down payment and closing costs are coming from to ensure that this money isn't yet another loan that may burden your ability to repay the money that is being loaned to you.

Section III *Borrower Information*

The third section of the Uniform Residential Loan Application is where you get to tell about yourself. If you are buying the property with someone else, such as your spouse, you have the added responsibility of providing information about the other person, as well. We are primarily looking for stability here. Remember, a two year history is necessary for your home address.

Section IV *Employment Information*

This section explains your work history. We want to know whether you can hold down a steady job. Again, a two year history is necessary.

Section V *Monthly Income & Combined Housing Information*

Section V makes or breaks many mortgage applications. Here, you list your monthly income, including that derived from investments. Most people's employment is what qualifies them to borrow money via a mortgage. Net rental income refers to the difference between your rental real estate monthly rents and expenses. If you have other income sources, such as child support or alimony, be sure to list them on the other line.

Section VI *Assets and Liabilities*

In Section VI, you present your personal balance sheet, which summarizes your assets and liabilities. Liabilities are any loans or debts you have outstanding. The more obligations you have, the less likely a mortgage lender will be to lend you a large amount of money. If you have the cash available to pay off high-cost consumer loans, such as credit card loans and auto loans, consider doing so now. Before doing so, consult with us to determine the impact to your qualification. If you opted for a loan pre-qualification or pre-approval, we may recommend getting rid of these consumer debts at that time.

Section VII *Details of Transaction*

The purpose of the first part of this section is to total the cost of the home including closing costs. This section can be filled out later as we discover the type of loan and closing costs.

Section VIII *Declarations*

This section, above the dotted line, contains questions that if answered “yes” require an explanation on a separate page. The credit report will most likely note these “yes” items so your answers should be direct. There is no need to worry. A “yes” response simply needs an explanation of the situation.

Section IX *Acknowledgement and Agreement*

This is where you sign your name on the dotted line. This is the time to ask yourself questions to ensure that you’ve presented your information in a positive, but truthful light.

Section X *Information for Government Monitoring Purpose*

The last section you may skip if you want to; it is for government monitoring purposes. The federal government tracks the ethnicity and gender of borrowers to see whether lenders discriminate against certain people.

At times, it may seem that the information that is requested is very personal. However, it is important to remember that the information that is provided will determine whether or not you are approved for the mortgage. Therefore, the more detailed the information you can provide, the easier and less hassle you will encounter throughout the mortgage approval process.



Items Necessary to Process a Loan

As you can see, the loan application shows information about the type of mortgage and your personal financial situation. At the time of application, make sure that you are ready to give detailed information about your financial situation, including items such as these:

Employed Individuals

- Previous three months checking and savings account statements, including all pages of the statements.
- Previous three months stock and liquid asset statements, including all pages of the statements.
- Most recent IRA/401K/Keogh statements.
- Copy of two most recent pay stubs.
- Last two years W-2's from all employers.
- Copy of last two years federal tax returns, including all schedules.
- Copy of final divorce decree and/or settlement agreement, if applicable.
- The name and phone number of your homeowner's insurance agent.

Additional Items Required For Self-Employed Individuals

- Copy of last two years corporate tax returns and applicable W-2's.
- Year-to-date profit & loss statement and balance sheet.

Additional Items Required for Retired Individuals

- Verification of income from pension, social security, annuity, etc.

In order to process your application for approval, several other items may be necessary to process your loan file. As stated before, we are required to send out letters verifying the status of your employment and bank deposits. In addition, we have to show your credit history, property information, and explain any discrepancies that an underwriter may have.

On the following page is an explanation of the items that are collected and added to your file in order to process your loan.

The Purchase Contract

This is the contract between the buyer and seller stating the terms of the deal. The purchase contract: acts as a receipt for the buyer's earnest money, is a copy of the buyer's offer upon acceptance, becomes a legally binding contract, gives escrow instructions to the title company, as well as, states any special conditions that you and the seller agreed on.

The Appraisal

Once a copy of the contract is received, a request for an appraisal is sent to the appraiser. The purpose of the appraisal is to estimate the value of the property being used as collateral for the mortgage. Generally speaking, the appraiser will be extremely familiar with the homes in the area and has a good idea of what value and amenities are common to the homes in that area. Armed with this information, the appraiser compares the sale prices of homes in the neighborhood to determine the value of the property. He/She then makes price adjustments for each amenity that the home has or does not have as compared to homes of a similar size and price in the area. Typically, it takes an appraiser anywhere from four to 10 days to complete the appraisal from start to finish and will cost approximately \$300 to \$350 (the cost can be higher for investment property and large homes).

Preliminary Title Report

In order to obtain financing on the property you are purchasing, it is standard to purchase title insurance for the mortgage. In real estate, "title" means a right to ownership. Title insurance is a policy to guarantee a free and clear title to the house or property. In order to secure a commitment for title insurance, a preliminary title report must be ordered to ensure that there are no "clouds" or problems with the title of the property that would hinder the transfer of title.

Verification of Deposit

To close on your property, we must make sure that you have the necessary funds for closing. From the information given at application, we send out the various verifications to your bank(s) for each of your accounts that tell us: your current balance, average balance for the previous two months, any outstanding loans, and any problems (like NSF's) that you have had with your accounts.

Verification of Employment

Equally important is to verify your current and previous employment status. Your income that you state on the application will tell us if you have the necessary means to repay your debts. To verify this information, we send out a verification of employment to your employer that states your gross base pay, overtime pay, commission income, bonus income, and the manner in which you are paid (hourly, weekly, monthly, etc.). In addition, it tells us your probability of continued employment as well as when and how much your next pay increase will be.

Credit Report

In order to submit your loan for final approval, a Residential Credit Report must be ordered. Your credit is accessed from the three major repositories around the country - Experian, Trans Union, and Equifax. The information provided tells us of your ability to repay your obligations and it alerts us of any credit problems that we may have to take action to correct. If you know of any problems that may appear on your credit report, it is important to inform us as soon as possible so that it does not slow down your approval process.

Signing the Contract



The purchase contract is the most important document in the sale of real estate. The contract sets the terms and conditions that the seller and buyer agree to. Furthermore, it specifies the price the buyer is willing to pay. A well-written contract, which is available through a sales associate, is designed to protect both the buyer and seller.

Be sure to review the seller disclosure of property information carefully before writing your offer.

The purchase contract will save you money if written properly. The contract can be used in your favor to protect you from costly terms and conditions that a seller can dictate.

A professional Ruhl&Ruhl agent is key to negotiating the terms and conditions specified in the purchase contract. After you and your agent have specified these terms, the agent will present the contract to the seller and his/her sales associate. When your sales associate presents the contract, he/she will go over the contract in detail explaining the various terms that you specified so that there is no misunderstanding. The presentation the agent makes can make a big difference as to whether your offer is accepted.

Once an offer is submitted to a seller, they may accept the offer, reject it, or present a counter offer. It is important not to get emotionally attached to the property during the negotiating process so you do not over pay and can set the terms for a better deal.

It is always a good idea to have a couple of houses in mind so, if the offer for the house you want is not accepted, you have other selections.

Submitting the Loan for Final Approval

Once the loan package is finally assembled, it is time to submit your loan to the underwriter for final approval. The underwriter will review the loan application and all pertinent paperwork that the processor has collected in order to approve or deny the file. The moment of truth has finally come. An underwriter is going to look at every facet of your life as reflected by the credit report and the submitted loan application. He/She will be evaluating the risk involved in lending you money and the likelihood that you will or will not repay the loan. An underwriter looks at the “four C’s” of credit – capacity, credit history, capital and collateral.

Capacity

Can you repay the debt? An underwriter will look at your employment information: your occupation, how long you have worked, and how much you earn. They also want to know your expenses: how many dependents you have, whether you pay alimony or child support, and the amount of your other obligations.

Credit History

Will you repay the debt? An underwriter will look at your credit history: how much you owe, how often you borrow, whether you pay your bills on time, and whether you live within your means. They also look for signs of stability: how long you have lived at your present address and how long you have worked at your present job.

Capital

Do you have enough cash for the down payment and for closing costs? Do you need a gift from a relative? Will you have a cushion left after your home purchase, or will you spend your last penny at settlement?

Collateral

Will the investor be fully protected if you fail to repay the loan? Investors want to be sure the property you are buying is sufficient to back up your loan. In other words, is your home worth what you are paying for it?

Additionally, if the down payment is less than 20% of the purchase price, your loan may have to be approved by a mortgage insurer. This is an insurance policy provided by non-government insurers that protects the investor against the loss if a borrower defaults. It does not protect you, but is necessary to obtain the mortgage.

Also, you may be required to produce additional documentation to support your ability to repay the loan. If this happens to you, do not despair. It just means that there was something in the loan file that needs to either be re-explained or clarified to the underwriter’s satisfaction before they will approve or fund a loan. The quicker you respond to these requests, the easier and faster your loan will be approved and funded.

Locking in the Rate

Interest rates can change several times a week. This can impact your monthly payment. This is why 1862 Mortgage offers several options. YOU can choose to freeze or lock the rate at the level that meets your needs. A rate can be locked for different periods of time. The more time you need... 45 days, 60 days or even longer, can change the rate up or down. The theory is simple. The longer the rate lock, the higher the rate. Choosing the correct lock period is important. Your 1862 Mortgage Loan Officer will assist you in understanding how much time is needed to make sure you comply with the terms of your purchase contract AND are covered through the date of your closing. It is always a smart thing to add in a few extra days to cover any changes in the closing date that might occur.



Closing - The Big Day!

This is the day in which your loan is finalized, your mortgage is issued, and you get the keys to your new house. However, there are a few things that you will want to inspect and ensure before you sign on the dotted line.

Final Walk Through

Your contract usually would include a clause allowing you to examine the property within 24 hours prior to closing or possession, whichever comes first. This allows you to make sure that the seller has vacated the house and left behind whatever property (such as appliances) was agreed upon. You also can make sure that all conditions in the contract have been satisfied. Also, this is your last chance to make sure that everything works inside and around the home. If problems do arise and cannot be corrected before closing, closing can be delayed until they are corrected.

Final Estimate of Closing Costs

Your closing agent should have the exact figure you will need to bring into their office before you arrive. They should, for the most part, reflect the “Good Faith Estimate” that you receive after application. Since these estimates are subject to change (for example, you decided to change your loan from a VA guaranteed loan to a 5/1 adjustable rate mortgage), you have the right to inspect the settlement statement (called the HUD-1 Settlement Statement). It is useful to do so because you probably will be required to pay the remaining down payment and closing costs (minus the earnest deposit) with a certified or cashier’s check. A personal check may not be acceptable.

Meeting with the Closing Agent

A significant part of your meeting with the closing agent on your day of closing will be signing various documents. The closing agent should go into detail about each of the documents before you sign them. These are described here.

HUD-1 Settlement Statement This form, required by federal law, itemizes the services provided and lists the charges to the buyer and the seller. It is filled out by the closing agent who conducts the closing. Both the buyer and seller must sign it.

Truth-In-Lending (TIL) Statement This is another document required by federal law that mortgage lenders are required to give to all loan applicants within three days of receiving their initial application. Among other things, it discloses the annual percentage rate (APR), which reflects the cost of your mortgage as a yearly rate. This rate may be higher than the interest rate stated in your mortgage because the APR includes any points, fees, and other costs of credit. The TIL statement also sets forth the other terms of the loan, including the finance charge, the amount financed, and the total payments required.

The Note

The mortgage note represents your promise to pay the investor according to the agreed terms. It is, in effect, a legal "IOU." Again the terms of the loan are set forth, including the date on which your payments must be made and the location to which they must be sent. It will also detail the penalties that will be assessed if you default and warns you that the investor can "call" the loan (require full payment before the end of the loan term) if you fail to make required payments, if you sell the house without prior written consent of the lender, or if you otherwise violate the terms of your note or mortgage.

The Deed of Trust

The Deed of Trust is the legal document that secures the note and gives the investor a claim against your house if you default on the note's terms. In effect, you have possession of the property, but the investor has partial ownership until the loan has been fully repaid.

Affidavits

You may be asked to sign numerous affidavits (for example, that it is your intention to occupy the property). These may be required by state law, by the investor, or by the secondary market agencies. If you provide false information, you can face criminal penalties and you run the risk that the lender will call your loan.

The Deed

The seller must bring the deed to the closing, properly signed and notarized. It is the document that transfers ownership from the seller to you.

Recording the documents

After all the papers have been signed and the fees have been paid, the deed of trust, the note, and the deed must be officially recorded at the county recorder's office. In Iowa, funds are usually paid to the seller at closing. In Illinois, the closing agent will not usually release the checks to the seller until the transaction has been recorded, making the buyer the official owner of record. This legal transfer of the property usually takes one to two days after signing papers.

Closing need not be a stressful experience if you know what to expect and prepare for it. Ensure that you have concluded a final walk through on the property before taking possession, read every document placed before you to ensure it's accuracy, and stay on top of any problems so that they do not hinder or postpone the closing of your new home.



The 1862 Mortgage Advantage

Give yourself the home buying edge with a loan that's right for YOU!

Conventional, FHA, VA, and Non-Traditional Financing

- 10, 15 and 30 Year Fixed Rate Mortgages
- Adjustable Rate Mortgages
- Exclusive FHA Lender Funded 1-0 Fixed Rate Buy-Down
- 90% Loan-To-Value for Investment Property
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Ruhl&Ruhl REALTORS and 1862 Mortgage are committed to providing extraordinary service with quality, value and integrity, to all our clients. We hope we have been able to pass along some valuable information to you. The process looks more complicated than it really is. However, do not let that discourage you from taking the first step. As long as you have the right team together, the process will go smoothly. Remember, we are here to help facilitate the process for you.

Please be certain to contact us should you have any questions along the way. We are committed to providing you with prompt, accurate answers.

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