



# You've Applied For Your Mortgage. What Happens Next?

## A Simple Guide To Help You Through The Mortgage Process

You have found the right home at the right price in the right location. Now it's time to focus on your home financing. This guide can help you feel more comfortable with the mortgage process by giving you a better idea of what to expect. Your application has been taken by a loan officer or mortgage broker, who will see that you receive a loan decision as quickly as possible and move even closer to achieving your homeownership goals. So, what happens next?

### 1. Processing

Your loan officer or mortgage broker has asked you a number of questions at application. Your answers, your credit report information, and the loan program you've applied for will help determine if you qualify for instant mortgage approval using an automated underwriting system. Another processing option may be better suited to your needs. Documentation requirements vary, depending on the loan program, underwriting method and your own financial and credit profile. In some cases only minimal documentation is required. In other cases more detailed documentation may be required.

An appraisal will be ordered at application to determine the fair market value of the property you are purchasing.

You can either lock in your range of rates (rate lock) or float your loan pricing. It is important to discuss these options with your loan officer or mortgage broker.

At application or shortly after, you will receive a Good Faith Estimate and a Truth-in-Lending Statement, which will show your annual percentage rate (APR). These documents are required by federal law and disclose the credit terms of your loan and approximate closing costs.

### 2. Underwriting

If you received instant approval at application, you were given a conditional credit approval letter. If another processing option was determined to be best, your file is reviewed by an underwriter to make a decision on your loan application. An underwriter is a trained credit-risk analyst who will do everything possible to help you receive loan approval.

Soon after your application is approved (instantly or by an underwriter), you will receive a loan commitment letter that explains the terms of your loan, including any loan conditions that need to be met prior to closing. Read your commitment letter carefully, and be sure to follow the instructions to ensure a timely closing.

In the case that your application is not approved, your loan officer or mortgage broker can help you determine what actions need to be taken.

### 3. Pre-Closing

Prior to loan closing, your loan officer or mortgage broker may ask you to provide:

- A copy of your homeowners or "hazard" insurance policy and a one-year paid receipt.
- A copy of the flood insurance policy and paid receipt if the property is in a flood zone.
- Evidence that you have satisfied all outstanding loan conditions listed in your commitment letter.
- Evidence that any required inspections have been conducted. These requirements vary, depending on the type of financing you choose and the region where you live.

- A Certificate of Occupancy may be required if you are purchasing a newly constructed home or one that has undergone certain types of renovations.

It's time to schedule your closing date. All involved parties will be contacted to arrange a convenient time and location. Closing procedures and associated fees vary depending on where you live. You will be notified of the exact amount you will need to close your loan. This amount is payable by certified or cashier's check.

## 4. Closing

At closing, a closing agent will review the terms of your loan and explain each document. The closing agent will also provide you with a copy of the HUD-1 Settlement Statement, which shows all the costs related to the closing. These costs may include, but are not limited to, the down payment, loan origination, fee, survey, appraisal, inspections, and title search costs. Some loans may require mortgage insurance if your down payment is less than 20%. In addition, you will be responsible for various prepaid expenses, including interim interest.

An escrow account may be established at the time of closing. Your initial escrow account deposit will cover real estate taxes, hazard insurance, and your mortgage insurance if applicable. Your loan servicer will pay your taxes and insurance premiums from this account when they come due.

You will either be given or mailed a first payment letter. This document states how much your monthly loan payment will be and instructs you where and when to send your initial payment.

**Congratulations! You have completed the mortgage process.**

I encourage you to e-mail me at [ndurst@p-s-b.com](mailto:ndurst@p-s-b.com) or call me at 309-693-9494 ext 404 if you have interest in other topics pertaining to the mortgage industry.



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