



Step 2 Get Pre-approved for a Mortgage

One of the first steps to buying a home is to get preapproved by a mortgage lender. There are many reasons for getting preapproved. It's important that you have an understanding of how much you can comfortably afford to spend on a home, what your monthly payments will be, what interest rate you'll be getting, and how much you'll be paying each month in taxes, etc. It also helps me, as your Broker to know how to structure your offer. I'll need to know what type of loan you'll be getting (VA/FHA/USDA/Conventional etc...). I'll also need to know if you'll be requiring the seller to contribute funds to your closing costs and how much your down payment will be.

[Click here](#) to view a great booklet that demystifies the mortgage process from a lenders prospective. We highly recommend all buyers read before applying for a mortgage. That said we also highly recommend that you work with a local West Sound mortgage lender/broker that is familiar with our area and the requirements.

Having a good mortgage lender is a crucial part of ensuring a smooth transaction. Working with a bad mortgage lender can make the process a living hell for everyone involved and put your purchase in jeopardy of not closing on time or at all. You also might end up regretting the lender you chose for years if you end up paying a higher interest rate than you should have if you had shopped your loan through various lenders. You could also lose out on your dream property because your mortgage lender was disorganized and couldn't get you fully approved during underwriting, etc. That's why it's important to work with the best. We recommend:

Our Recommended Lenders

Kathy Hite
1st Security Bank
360.471.7541
Kathy.hite@fsbwa.com

Randy Tutterrow
Fairway Mortgage
360.731.3388
randyt@fairwaymc.com

Donna Miller
Eagle Home Mortgage
360.874.0451
DonnaMiller@eaglehm.com

Paperwork You Need To Gather

Each lender has slightly different requirements regarding what documentation they need from you for the preapproval process, but in general, expect to provide the following items:

- A completed application. The lender will provide this to you directly
- The two most recent months (or a quarterly statement) of any asset information listed on the application. Generally: checking, savings, 401k, mutual funds, individual stock accounts, IRA's, etc.....
- 30 days of most recent paystubs
- Past two year's worth of W2 (ie. 2017 and 2018 W2)
- Past two year's worth of US Tax Returns (ie. 2016 and 2017 Federal Tax Returns)
- 2016 and 2017 Corporate Tax Returns (if self-employed and you own over 25% of the company)

Getting a Pre-Approval Letter

Generally, once you submit the above items to your lender you should receive a pre-approval letter within 2-3 business days. The lender may ask for additional documentation. They are not trying to be difficult by asking for additional documentation, rather, after the housing bubble burst, underwriters became much stricter regarding the loan approval process so a lot more documentation is needed today than it was 10 years ago. In addition to receiving a pre-approval letter which shows the amount you can afford to purchase, you should ask your lender to show you what that preapproval amounts in terms of a monthly mortgage payment plus any PMI, taxes, and insurance. That way you can make sure you are comfortable with what your monthly housing payment will be at that pre-approval letter. Once you've received your pre-approval letter, forward it to us for your file so we can have it when we are ready to submit an offer. This letter will provide instructions to me on financing terms that should be included in your offer (ie type of loan, seller contributions, etc.)

Get a Loan Estimate and Understand Your Closing Costs

In addition, mortgage lenders are required to provide you with a Loan Estimate (LE) within 3 days of receiving your pre-approval. The LE provides an estimate of the closing costs you'll need on top of your down payment and shows exactly what fees the mortgage lender is charging you. Make sure you understand these fees. Generally, we estimate closing costs to be approximately 2.5% of the purchase price of the property. **Here is a chart showing approximate closing costs in our area.** Your mortgage lender can provide you with more detailed estimates based on your exact pre-approval price. Remember, these closing costs are due at closing (except for the appraisal and inspection fees which are due on the day those services occur) and are on top of your down payment. Therefore, if you're buying a \$500,000 property and putting down 20% towards the loan you'll need to have \$112,500 cash available at closing (\$100,000 for your down payment and approximately \$12,500 for the closing costs).

Should You Shop Your Loan Around?

Absolutely. Every lender charges different fees and different interest rates so it's crucial you shop your loan around to at least two lenders, in my opinion. We recommend doing so within 10 days as the lenders will need to pull your credit report in order to give you an accurate preapproval letter. If your credit is pulled by various lenders multiple times it could affect your credit by a few points. If you do this within 10 days between having your credit pulled it generally won't affect your credit at all.

Estimated Closing Costs and Pre-Paid Expenses

Purchase Price	\$200,000	\$225,000	\$300,000	\$375,000
Loan Amount, based on 80% loan	\$160,000	\$180,000	\$240,000	\$300,000
Escrow/Closing Fee	\$575	\$650	\$725	\$800
Title Insurance Premium	\$600	\$640	\$680	\$720
Appraisal Fee	\$750	\$750	\$750	\$750
Processing Fee	\$995	\$995	\$995	\$995
Recording Fee	\$190	\$190	\$190	\$190
Credit Report	\$35	\$35	\$35	\$35
Tax Service Contract	\$70	\$70	\$70	\$70
Flood Zone Certification	\$8	\$8	\$8	\$8
Total Estimated Closing Costs	\$3,223	\$3,338	\$3,453	\$3,568
Prepaid Property Taxes/6 months	\$1,150	\$1,294	\$1,725	\$2,156
PrePaid Home Owner's Insurance/14 months	\$1,050	\$1,050	\$1,050	\$1,050
Total Estimated PrePaid Expenses	\$2,200	\$2,344	\$2,775	\$3,206
Other Fees				
Home Inspection	\$450	\$450	\$450	\$450
Total Settlement Costs	\$5,873	\$6,132	\$6,678	\$7,224

This document is intended only to provide an initial overview and estimate of basic closing costs for a residential home purchase. It is not a substitute for or related to a Loan Estimate. You should discuss all closing costs with your lender or mortgage professional.



Terms and Definitions Related to Buyer's Settlement Costs

Appraisal

A written estimate of a home's market value. The report is prepared by a licensed appraiser and allows a buyer and his or her lender to see how the agreed upon purchase price compares to nearby similar and recent property sales. Most lenders require an appraisal to ensure the lender that a home's value meets or exceeds the purchase price.

Credit Report

A lender's review of a borrower's credit history for purposes of determining a buyer's creditworthiness.

Earnest Money

A deposit made by a buyer to a seller at the time of contract for purposes of showing the buyer's good faith in a transaction.

Escrow

The company handling the sale/purchase transaction, including the receipt and transfer of purchase funds from the lender and buyer to the seller and transfer of legal title from the seller to the buyer.

Flood Certification

A document that states the flood zone status of a property. If the certificate states that the property is located in a flood zone, federal flood insurance is required.

Home Inspection

A licensed home inspector's examination of a property's condition. Inspections typically include an assessment of a property's roof, foundation, heating and cooling systems, plumbing, electrical work, water and sewage and some fire and safety issues.

Homeowner's Insurance Policy *BAL.*

An insurance policy designed to protect a property against damages to the house itself of the possessions in the home. Some homeowner insurance policies also provide coverage against accidents that occur on the property.

Processing Fee

Charged by the lender for facilitating the loan through the lending process.

Recording Fees

The property deed and mortgage documents must be recorded with the county in which the property is located.

Tax Service

A service used by a lender throughout the life of the loan to confirm that a borrower pays his or her property taxes in a timely manner.

Title Insurance

An insurance policy guaranteeing the title to a parcel of real property is clear and properly in the name of the title owner, and that the owner has the right to deed the property (convey or sell) to another. Should a problem later arise with the title, (such as an inaccurate description), the title insurance company will pay the damages to the new title holder or secured lender or take steps to correct the problem. A Lender's Title Insurance Policy or Mortgage Insurance Policy protects the lender up to the amount borrowed from the bank and is usually purchased by the buyer. And Owner's Title Insurance Policy protects the buyer up to the purchase price and is usually purchased by the seller.