

Purchasing a home and getting a loan are some of the biggest investments you'll ever make and it's important to be prepared. By keeping the following principles in mind, you'll make your loan process a more successful and enjoyable experience. Since your home could cost you 25% to 40% of your gross income, it's important to conduct research, ask questions and study the process carefully.

## Top Ten Things to Do to Successfully Finance Your New Home

1. **Get pre-approved.** You'll have a better chance of getting your offer accepted by being as prepared.

If you're neither pre-qualified nor pre-approved you offer no evidence that you can afford to purchase your property. Sellers may wonder how serious you are since you're not pre-qualified.

If you're pre-qualified this means that you have met with a mortgage broker (or lender) and discussed your situation. You have informed your broker about your income, expenses, assets and liabilities. Your broker may also have seen your credit report and provided you with a letter of opinion of what you can afford.

If you're pre-approved, you have provided a broker written evidence of income, expenses, assets, liabilities and credit and your information has been verified by a lender. Much of the paperwork for your loan has been completed and you should be able to close quickly. You have a letter (pre-approval certificate) from the lender and your broker is certain you can close.

2. **Don't make a verbal agreements.** Written contracts override the verbal contracts. Don't count on oral agreements to be enforceable. In fact, your state may require that contracts for the sale of real property be in writing.
3. **Don't choose a lender based on the lowest rate alone.** Your rate is important, but you need to consider the total cost of your loan including the APR, loan fees, discount and origination points. When you get a quote from a lender or broker, insist that the discount points (charged by the lender to reduce the interest rate) be distinguished from origination points (charged for services rendered in originating the loan).

The cost of your mortgage shouldn't be your only criterion. Make certain you're confident that the company you select is reputable and will deliver the loan with the terms and costs as promised. If you believe that your lender has suddenly increased its profit margin at your expense, you won't have time to start again with a different lender. Ask family and friends for referrals and interview prospective mortgage companies.

4. **Get a Good Faith Estimate in writing.** Within three business days after your broker or lender gets your loan application, you must receive a written statement of fees associated with the transaction. This is both the law and the best way to determine what you'll pay for your loan. Bring the Good Faith Estimate (GFE)

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with you when you sign loan documents. You should not be expected to pay fees which are substantially different from those contained in your GFE.

5. **Get a rate lock in writing.** When a mortgage company tells you they have locked your rate, get a written statement detailing the interest rate, the length of the rate lock, and program details.
6. **Do not use a dual agent.** Dual agents represent the buyer and the seller in the same transaction. Since buyers and sellers have opposing interests (sellers want to receive the highest price, buyers want to pay the lowest price) don't use one. In a standard real estate transaction, the seller pays the real estate commission. When an agent represents both buyer and seller, the agent can tend to negotiate more vigorously on behalf of the seller. As a buyer, you're better off having an agent representing you exclusively. The only time you should consider a dual agent is when you get a price break and if you do proceed with caution.
7. **Get your home professionally inspected.** Unless you're buying a new home with warranties on most equipment, you must get property, roof and termite inspections to know for certain what you are buying. Inspection reports are super negotiating tools when asking the seller to make needed repairs. When a professional inspector recommends that certain repairs be done, the seller is more likely to agree to do them. If the seller agrees to make repairs, have your inspector verify that they are done prior to close of escrow. Do not assume that everything was done as promised.
8. **Shop around for home insurance.** Start shopping for insurance as soon as you have an accepted offer. Many buyers wait until the last minute to get insurance and do not have time to shop around.
9. **Read all documents before signing them.** Whenever possible, review in advance the documents you'll be signing. Even though some specifics of your transaction may not be known early in the transaction, the documents you'll sign are standard forms and are available for review. It's unlikely that you'll have sufficient time to read all the documents during the closing appointment.
10. **Budget time to allow for delays in your transaction.** Transactions are often delayed a week or more. Terminate your lease one week after your real estate transaction is scheduled to close. That way, if there is a delay in closing your transaction, you have some leeway. This approach might cost a little more, and again, it might not.

For more information contact:  
Susan Duffy  
2275 Swallow Hill Road  
Building 900, Suite One  
Pittsburgh, PA 15220  
412.489.1340 ext. 215  
[susanduffy@pa-mortgagenetwork.com](mailto:susanduffy@pa-mortgagenetwork.com)