

## Understanding THE LOAN PROCESS

Here are some things that might help you understand the loan process.

- 1.) These days everything is based on credit scores first. A decent credit score is 640 or higher.
- 2.) You can't owe too much on bills, but you also don't want to close or open any accounts right now, unless you have none.
- 3.) Bills must be paid on time, any late payments within the last 12 months can hurt.
- 4.) If you don't have charge cards, or car payments lenders may look at alternate credit, such as, insurance, cell phone bills, electric bills, water, home phone bills. But they must be on time for the past 12 months.
- 5.) You don't pay us, **House Smart™ Realty, LLC**; we are paid by the seller, unless we are in a dual agency with you and the seller.
- 6.) Even though you may not have a down payment, you will need an earnest money deposit. Earnest money is to show that you really want the house. If you back out the seller can keep the money. But if you don't qualify or the house has problems you get that money back. Earnest money could be \$100 to \$1000.
- 7.) We recommend you have any existing home inspected. That can cost \$250 to \$350. You may get that back at closing, but sometimes not. You should always get a termite inspection and sometimes it's required by the lender. That will cost between \$35 - \$75.
- 8.) We normally ask the seller to pay for your closing costs. It is usually around \$2500 to \$3000 for homes up to \$100K. When the seller pays the closing costs, that reduces his net profit, so remember they will not always agree to it.
- 9.) Mortgage companies require you pay the taxes and insurance in your mortgage; when we estimate payments that is included. No hidden costs.
- 10.) Mortgage companies also require you pay the Home Owners Insurance (HOI) up front for the year, in case the house burns down or something happens. They want to make sure the mortgage is covered. Sometimes you get that money back at closing or it comes out of the closing cost money we ask the seller to pay. See #8. That can cost between \$500-850 or more. It depends on many factors. We can talk about.
- 11.) We always recommend a home warranty if the home is not brand new. It covers most all components on the inside of the house in case something breaks within the first year. In some cases we ask the seller to pay for this for you. It's usually about \$400. If something stops working you call the warranty company and usually pay a \$100 deductible per occurrence. If the refrigerator goes out you call the warranty company, they come out, you pay \$100. If the furnace or A/C goes you call them and it's \$100. There may be some things they don't cover, but we've had several customers have thanked us because they had to use them.
- 12.) **We help our buyers with writing the offer, negotiating, inspections, insurance, closing, everything!**



We don't sell people homes that cannot afford a home. We never push our customers into anything that doesn't feel right. Buying a house is a big step, and can be scary at times, but we are always here for our customers to make sure they are taken care of!