

Understanding the Mortgage Documents

*Completing the Mortgage Documents
Required for Home Purchase*



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Many families feel overwhelmed by the homebuying process because of the amount of paperwork they must complete. But, with the right information and support from a housing professional — such as a housing counselor, real estate agent or lender — you can be better equipped to understand what you are signing.

Mortgage Documents

Understanding the purpose and function of the primary documents used in the mortgage process will help you navigate more confidently from application to closing.

Uniform Residential Loan Application

There are a number of important steps involved in purchasing a home, and one of the most important is completing your mortgage loan application. It includes several important sections that capture information about you, your finances and details of your potential mortgage.

In providing information about yourself and any co-borrowers, be prepared to furnish your Social Security Number, date of birth, marital status and contact information. Be prepared to provide documentation on your income, expenses, assets (what you own) and liabilities (what you owe). If you have pending legal problems or factors that influence your financial situation, you will be asked to provide that information. This, in combination with your credit report, will help the lender assess your ability to pay your mortgage.

You will also give your lender information about the house you wish to purchase (e.g., address, year built etc.). The lender will include the potential details of the loan transaction including the loan amount, purchase price of your home and total cost of your loan.

Pre-Approval Letter

Once you and any co-borrower(s) have completed and signed the application, your loan officer will provide you with a pre-approval letter stating the potential amount of your loan. The letter is the lender's conditional commitment to lend you a specific amount of money for the purchase of your home. While this is helpful

information, you need to decide for yourself if you can live comfortably with the amount of your suggested monthly mortgage payment.

Loan Estimate

Once you have completed your loan application, you will receive the Loan Estimate, which will provide you with information regarding the costs and other terms associated with your loan. For example, you'll need to pay a credit report fee, which is the cost of pulling your report. You'll also need to pay for a home appraisal so you can see how much your home is valued at the time of your purchase. You will also be responsible for a title search fee so the title company can research past records of the property's title to ensure that there are no outstanding liens or debts recorded against the property and a recording fee so you can register the property under your name. Finally, the Loan Estimate will estimate how much you are required to have in reserve at closing, including your down payment and closing costs.

Closing Disclosure

Three business days prior to closing, your lender will also provide you with a Closing Disclosure that will disclose the fees and services associated with closing your loan. Closing costs can typically range from 3 to 7 percent of the loan amount. The Closing Disclosure will also explain the total cost of your mortgage. This disclosure is required by law to provide information on the amount being financed, the finance charge, the payment schedule and your annual percentage rate (APR). The APR includes the interest rate, points, broker fee and certain other charges you're required to pay. The Closing Disclosure lists the date of the closing as well as the final costs of the mortgage transaction.

The Note

The final stage in the homebuying process is closing, which is sometimes called settlement. This is the meeting where you sign your name to paperwork that legally transfers the home to you. You will be asked to sign the note. This is a document that promises you will repay the loan according to the terms to which you agreed. It also explains what can happen if you fail to make a payment on time.

Mortgage or Deed of Trust

The Mortgage or Deed of Trust is a legal document in which the borrower transfers the title to the lender (under a mortgage), or to a third party trustee (under a deed of trust) to hold as security for the lender. When the loan is paid in full, the lender or the trustee transfers the title back to the borrower. Since the lender is providing you with money to purchase the house, it will use the house as security to ensure repayment of the loan. By signing this document, you are giving the lender the right to sell the property should you fail to repay your loan as agreed. If the borrower defaults on the loan, the property can be sold to pay off the mortgage debt. It also states you must keep the house in good repair, maintain insurance on the property and pay your property taxes.

Deed

The seller will sign the deed to transfer ownership over to you, and it will have the names of all the buyers on it. You will receive a copy of the deed at closing.

Affidavits and Declarations

These are statements declaring all the information you provide is true, including that the property will be your primary residence and all repairs needed on the property were made prior to closing.

Get Help Before You Sign

From the moment you decide to pursue homeownership until the day you receive the keys to your new home, you will take part in a series of meetings and will be asked to sign many documents. It may be intimidating, but remember to work closely with a housing professional to ensure you understand the documents before you sign.

For More Information

- Contact a reputable lender or other housing professional to help you learn more about the homebuying process.
- For a list of housing counseling agencies approved by the U.S. Department of Housing and Urban Development, call 800-569-4287 or visit www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm.
- Through its on-the-ground Borrower Help Centers and national Network, Freddie Mac works with trusted national nonprofit Intermediaries to support its ongoing commitment of preparing prospective borrowers for responsible homeownership. For a directory of Freddie Mac Borrower Help Centers and the national Network, visit <http://myhome.freddiemac.com/mortgage-help/borrowerhelpcenters.html>.
- To find resources to help you rent, buy and own your home, go to the **My Home by Freddie Mac**® consumer website at <http://myhome.freddiemac.com>.
- The Freddie Mac CreditSmart® curriculum is a consumer guide to better credit, money management, and responsible homeownership. Visit the **My Home by Freddie Mac**® CreditSmart page at <http://myhome.freddiemac.com/resources/education.html> to find the curriculum in English and Spanish.
- Avoid scam artists! Learn more about common scams in your area, and get advice before you enter into your next loan agreement. Read more about common fraud schemes at http://myhome.freddiemac.com/mortgage-help/avoid_fraud.html.
- Speak to your loan officer for more details on each of the loan documents and the terms outlined.

Source

Content adapted from Freddie Mac's **Your Step-by-Step Mortgage Guide**—available in English and Spanish—that helps borrowers navigate the mortgage process from application to closing.



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