



204 West Main Street Ligonier, PA 15658
888-680-5177 Fax - 724-238-7830
www.tcsclosing.com

Buying Your Home

Step 2, Get Pre-Approved

Now you're ready to shop for a lender. It's very important that you select a lender and get pre-approved BEFORE looking at houses. Having a pre-approval letter in hand tells the seller and real estate agent they are dealing with a serious, qualified buyer. This may give you an edge when negotiating. You also will not waste time looking at houses that are out of your price range.

- 1. LENDER SPECIALTY** – You may be surprised to know that most mortgage lenders specialize in particular types of mortgage loans. Here are the most common categories:
- Conventional - existing house - 5% or more down payment - some seller assistance allowed for closing costs
 - FHA - existing house - less than 5% down payment - seller assistance allowed for down payment and closing costs
 - VA - no down payment - seller assistance allowed for closing costs
 - FhMA - rural development program
 - New construction - building a new house on vacant ground
 - Renovation - repair or renovate and existing house
 - "B, C, D paper" - tough credit problems or hard to verify income

Call around and select a few lenders who specialize in the type of mortgage you need. For assistance finding a mortgage lender, call The Closing Specialists® (TCS) at 888-680-5177. We work with lenders in all categories and can help point you in the right direction.

2. COMPARE INTEREST RATES AND "GOOD FAITH ESTIMATES" - There's more to shopping for the best deal than just comparing interest rates. Each lender will provide a "Good Faith Estimate" which will disclose other costs associated with the transaction. The costs disclosed on the "Good Faith Estimate" are basically divided into 3 categories.

- Actual lender fees - controlled by the lender - Use this section to carefully compare lender charges.
- Fees for required services - Estimated fees for services being performed by third parties. The lender does not control the fee, so consider the quote merely an estimate. (The Closing Specialists® fees fall into this category. Call us directly to get our fee quote or use our **Title Insurance Rate Calculator** found on the **TCS Tools Page** of The Closing Specialists® Web Site.)
- Interim interest, escrows for taxes and insurance, and proration of taxes. Commonly referred to as "prepaid items," this section of the "Good Faith Estimate" should not be relied upon when comparing costs. Here's how these figures are determined:
 - Interim interest - The maximum interest you could be charged at closing is 31 days. The loan officer can make the estimate look high or low by adjusting the number of days quoted. The actual amount you will pay at closing is determined by the actual date of closing. If you prepare for 31 days, you're working with a good conservative number.

- 2) Escrows for taxes and insurance - If your lender is going to escrow for taxes and/or insurance, the loan officer will give you a rough idea of what to expect. The estimate can be made to look high or low based on the number of months the loan officer uses. Do not rely on these figures when comparing costs. Basically all lenders who escrow will use the same figures at closing. All lenders adjust the final numbers based upon actual tax bills and the date of closing. We suggest you always use at least 10 months of escrows to keep your expectations conservative.
- 3) Proration of taxes - At closing, there will be an adjustment between seller and buyer for taxes already paid or due later in the year. Lenders typically do not include prorations in the "Good Faith Estimate".

3. GET PRE-APPROVED - Now that you have selected a mortgage lender you are comfortable with, have your lender establish what kind of mortgage is best for you and issue a pre-approval. This is also the best time to tell your lender that you want The Closing Specialists® to handle the title work and closing for you. This form can be downloaded from the **TCS Tools Page** of The Closing Specialists® Web Site.