



Financing your purchase may seem daunting at first, but Mark and Joy can guide you in this process; just ask.

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## Basic Facts on Financing a New Home

**Find a Lender Early!** Use a local lender and loan officer. You want a personal financial advocate interested in the timely processing of your loan. Mortgage *bankers* work for financial institutions that provide its own funds for mortgage loans; the underwriting, or evaluation and approval of the loan package, is done within their own company. They sometimes also have access to outside loan products. A mortgage *broker* acts as an intermediary for lenders and buyers, having no funds to personally offer for financing. Consequently, brokers must submit your loan application to a lending institution for processing, resulting in less overall control. Professional loan officers have no problem answering questions on the phone before you make a commitment with them. Feel free to shop around to find the right match for you. Ask trusted friends or family for their suggestions; Joy and Mark can also recommend a few reliable loan officers we know and trust.

**Preparations.** Some information you may need to have on hand when you begin to work with a loan officer could include: Social Security number and other personal information; Pay stubs from current employer, (the most recent 30 days); Last two years W-2 forms (current or prior employers); Last 2 months banking statements (checking and savings); Statements from investment accounts (IRA, 401K, etc.); Current mortgage information (name, address, loan number, etc.). Have these documents handy, although you only need supply those items needed to qualify for your loan. You may, and indeed should, wait until they are requested of you.

**Pre-qualification.** Pre-qualification is a way to help buyers determine the price range of homes they can afford. It involves a discussion with a loan officer, often by telephone, where the buyer provides financial information and the lender evaluates their ability to buy based on statements given. A lender's opinion such as this is not helpful in negotiating an offer to purchase.

**Pre-approval.** A pre-approval is a more complete form of lender endorsement. The buyer provides the same financial information, except the loan officer will conduct all the steps and verifications of a full loan approval (except for the appraisal and title search). It does not require much time — typically 10 to 15 minutes by phone, and there are definite benefits. The resulting pre-approval letter can improve a buyer's position to negotiate an offer to purchase. In Seattle, a pre-approval letter is considered essential for any serious buyer.

**Earnest Money.** Earnest Money is a cash deposit paid by a buyer as evidence of his/her good faith intention to complete the purchase transaction. Its primary purpose is to serve as a source of payment damages should the buyer default (abandon the deal without legal recourse). Earnest money is typically delivered to the buyer's broker with the signing of an offer to purchase, however, it is not deposited until a mutual acceptance between sellers and buyers is reached. At closing, the monies are credited to the buyer's expenses. In competitive markets like Seattle, the amount of earnest money proffered can strengthen an offer's attractiveness to the seller. Customary amounts used in our region are 3-5% of the purchase price.