

Sean Pope & Zachary Taylor's

MORTGAGE UPDATE



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Making Sense of the Closing Process

If you polled people and asked them what they thought was the most confusing and frustrating part of buying a home, the home-closing or escrow process probably would rank near the top of the list. Whether you live in a state that uses an escrow company or one that requires real estate lawyers to handle the settlement, the procedure remains basically the same.

Closing is the part of the home-buying process that buyers—especially first-time buyers—find the most confusing. There is usually a lot of documentation involved in a real estate closing, and all of it must be in *perfect* order before the deal is permitted to close.

In a nutshell, the property formally changes hands at closing. That's when the seller gets paid, as do the real estate agents. Fees and taxes are collected. The loan is activated. The formal deed is filed and put in the new owner's name. But long before the closing can occur, a lot of ground work must be done. Homebuyers, and especially first-time buyers, often have only a vague idea of what is involved and how long it will take.

It is often easier to understand the closing process if you try to look at it from the lender's perspective. The lender has the most to say about the process because the lender is invariably the one with the most money on the table. Even though the lender controls the closing, it is often done somewhere else, such as in a title or escrow

company's office, or even in a lawyer's office. There are numerous fees involved. Who pays them depends upon where you live and the way the sale was negotiated. There's the fee for the appraisal. Sometimes there will be an actual survey of the land done. Home inspections are routinely required, too, and there are all the various taxes and regulatory filing fees that must be paid. There's also the title search and the title insurance, which guarantees that the person selling the house is both the legal owner and is free to sell the property.



Title insurance is required in case there was a mistake in the title search. It is traditionally the seller who pays since he or she is required to deliver a good title which, in most cases, includes title insurance.

In some areas of the country, it's the other way around. Or, the fee can be split down the middle.

Since so many closings take place in escrow company offices, the people who work there must know how to explain each document. And there are all sorts of documents. The lender, the seller, the buyer, the federal government, and/or

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PRAISE

As water is to flowers—so is praise to the heart of man. We thrive on being appreciated, loved and needed. When we make others feel important, and show them respect and praise, they do their best. Nothing stimulates growth so much as praise. Whatever we praise, we increase.

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the state may require paperwork, as may county or local regulations. There can be literally dozens of documents, and in many cases much of the closing process has to happen in a certain order.

Most lenders want a uniform closing package. Many of them are hoping to sell the loan to investors, which will give them more money to lend. As a result, they have to deliver a uniform package, and every piece of real estate is different. People who buy mortgages—those who invest in the secondary mortgage market—are not looking for different pieces of real estate. They are looking for a package that will look like all the other packages they buy. They are looking for dependability and reliability.

The escrow process provides that uniformity. Escrow exists because normally there are conditions that haven't occurred yet. Documents are placed in escrow with instructions that you may close this deal only if and when A, B, C and D are accomplished. But if only A, B, and D occur, nothing happens until C also occurs. Then and only then can the transaction close. So it's not one of these things where everyone agrees on a price and, 'Voila!' the deal is closed. There's a fair amount of labor involved, too.

Many of those pieces of paper have price tags attached. Getting the loan itself costs money. This is sometimes expressed as a loan origination fee—which is usually a percentage of the loan amount. Discount points might also have to be paid. Then there are the various taxes as well as filing and recording fees. The fee for the escrow office is also included, sometimes as a separate fee and sometimes as part of the loan origination fee.

Sometimes home buyers feel the need to hire a lawyer, even those in states that do not require one. It can sometimes help make the process move more smoothly. The title company is retained to provide a place to close, typically to represent the lender at closing. The real estate agents are hired to perform specific tasks, and the closing is when they get paid. Their goal is to have the deal close. There are times, however, when it is not in the buyer's best interest to close just then. There might be a valid reason to

delay everything. You may want a lawyer there to represent *your* best interests and to step in, if necessary, in case there really is a good reason for a delay.

Aside from legal training, a lawyer brings dispassionate eyes to the proceedings. It's not the lawyer's house, and the lawyer has not spent weeks or longer waiting for escrow to close, or running around finding old tax records, bank statements, or anything else the escrow office might request.

A lawyer can also sometimes bring a touch of sanity to the process and ease any frustration and confusion if it exists. By the time you get to escrow, the real estate agent and the lender may have other deals working and might not be there to explain everything that is happening. Whether or not you use a lawyer, there is one thing to keep in mind: Even though it may not feel like it while you're in escrow, it eventually will end and when it does, the house finally will be yours.



What Kind of Documents Are Required for a Loan?*

1. Bank account numbers (savings & checking), stock account numbers, balances and addresses of all financial institutions you normally deal with.
2. Addresses for the past 2 to 10 years of residence including the dates occupied and the names and addresses of previous landlords.
3. Employment history for the past 2 to 10 years including dates and addresses.
4. Social Security numbers, Drivers License numbers, Credit Card numbers.
5. All records pertaining to current debt including loans, car loans, bank loans, and credit cards.
6. Pay stubs for the previous two pay periods along with amounts for items such as Bonus, Overtime, or Tips.
7. Value of all assets you currently have including cash, furniture, cars, and insurance policies.
8. A check for the appraisal, credit report, and loan application fee.
9. Lease agreements from your current home if it is rented.
10. A copy of the sales contract on the home in which you are interested in purchasing.
11. Names and addresses for any previous debts that you incurred and have completely paid off.
12. Records supporting all additional sources of income, including child support, alimony, pensions, social security, etc.
13. Your current and previous years tax returns.

*Some loans are portfolio loans and therefore may not be subject to the same document requirements as are conventional loans. Consult your lender for further information.

Every effort has been made to verify the accuracy of the information herein, but it is not guaranteed and should not be relied on without specific advice from a professional.

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Q
& A

What Should I Expect From My Realtor®?

I am in the process of selling my current home and buying a new one. I have selected a Real Estate Agent to help me through this process. What should I expect from my Realtor®?

You should expect to be treated with respect, not like a number. You should feel like the agent's only client, not like transaction #19. You should expect to have your best interests represented. The whole moving process should be as painless as possible. Your agent's eye shouldn't be on your wallet, but on serving you selflessly. Your agent should not think of you as a transaction that will be gone in a few months, but more like a friend and a client for life.

You should expect your agent to work as hard for you as he or she would if he or she were buying or selling their own house. You should expect the highest skills available. Your calls should be returned promptly, you should be kept up to date, and not feel like you were forgotten by your agent.

The Real Estate business is built on referrals. ...They depend on their past clients to refer them to friends and family.

If any problems do arise, your agent should go overboard to fix them and document everything diligently so that your interests are protected. After the transaction, you should expect your agent to be a trusted advisor that you can consult anytime. You should feel like you were represented professionally, and that you came out the better for it.

Why Realtors® Have a Lot to Lose!

The Real Estate business is built on referrals. What this means to you is that most Realtors® don't spend a lot of time prospecting to find new clients. They depend on their past clients to refer them to friends and family. Most Realtors® feel that by providing you with the best real estate experience you ever had, you will naturally want

your friends and associates to have the same benefit. When this happens, Realtors® can devote even more time to making their service the best available.

Since most Realtors® don't knock on doors or make cold telephone calls, they depend on their referrals to grow their business. They HAVE TO give you excellent service. You MUST be happy, or there will be no referrals from you, and their business will suffer. So your Realtor® should never see you as just another transaction, here today and gone tomorrow. Your Realtor® should never push you through some kind of assembly line. Instead they should be perceived as super servants. A Realtor® should treat your business with great respect, and strive to be your Realtor® for life.



“The deepest principle in human nature is the craving to be appreciated.”

— William James

ODDs & Ends

Zen Thoughts for People Who Take Life Too Seriously

A day without sunshine is like...night.

42.7 percent of all statistics are made up on the spot.

99 percent of lawyers give the rest a bad name.

Remember, half the people you know are below average.

He who laughs last, perhaps thinks slowest.

Depression is merely anger without enthusiasm.

While the early bird may always get the worm, remember that the *second* mouse gets the cheese in the trap.

Support bacteria. It's really the only culture some people have.

A clear conscience is usually the sign of a bad memory.

Change is inevitable, except from vending machines.

How many of you believe in psychokinesis? Raise my hand...

Hard work pays off in the future. Laziness pays off now.

Everyone has a photographic memory. Some people just don't carry film.

How much deeper would the ocean be without sponges?

Eagles may soar, but weasels don't get sucked into jet engines.

What happens if you get scared half to death twice?

I couldn't repair your brakes, so I made your horn louder.

Why do psychics have to ask your name?

Inside every older person is a younger person wondering what happened.

Just remember—if the world didn't suck, we would all fall off.

Light travels faster than sound. That is why some people appear bright until you hear them speak





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