Roles and Responsibilities of the Professionals involved the home buying process. Whether you are looking to buy a home or already own one, you will work with many housing professionals and it is important to understand the specific service each provides. Following are the key professionals you will work with and the roles they play:

- **Housing counselors** are important professionals to consider when you begin the home buying process. They will help you assess your individual financial situation and help you improve your credit to ensure that you are well-prepared for homeownership. Housing counselors can also help you if you face financial difficulties and have problems paying your mortgage on time. Seeking the assistance of housing counselors from a HUD-approved counseling agency is strongly recommended.

- **Loan officers** evaluate your credit, financial and employment information to see if you qualify for a mortgage, and provide financing options based on your capacity. They also provide assistance in completing your mortgage application and keep track of the status during the loan approval process.

- **Real estate agents** help you find homes that meet your specific criteria such as location, type of home and price. They also provide specific community information on shopping, schools, property tax rates and usually handle all negotiations with the seller.

- **Loan processors** prepare your mortgage loan information and application for presentation to the mortgage underwriter. They make sure that you have included all proper documentation, that all numbers are calculated correctly and that everything is in order to ensure a timely decision on your approval.

- **Mortgage underwriters** assess if you are eligible for the loan based on your credit history, employment history, assets, debts and other factors.

- **Real estate appraisers** evaluate the property you are purchasing and determine how much it is worth. The mortgage lender is their client, but the borrower pays for the cost of the appraisal.

- **Home inspectors** examine the condition of the home you are purchasing, making sure you are aware of any items requiring extensive repairs, as well as general maintenance and safety issues.

- **Closing representatives** oversee and coordinate the closing or "settlement" of your loan, record the closing documents and disperse the money to the appropriate individuals and organizations.

- **Mortgage lenders are** the financial institutions that provide the funds for your mortgage.

- **Mortgage servicers** are the financial institutions or entities that are responsible for communicating with you about your mortgage and maintaining your mortgage account, including collecting your monthly mortgage payments, maintaining your escrow account (if applicable) and discussing loan workout options with you if you get behind on your payments. *Your mortgage lender and servicer are not necessarily the same company. Many lenders pass the servicing of your mortgage to a separate servicing company shortly after closing*. Freddie Mac is not a mortgage servicer.

- **Mortgage investors** purchase home loans that lenders originate and may package these loans into mortgage securities that are sold in global capital markets, enabling investors to purchase more mortgages and keep the cycle going. This recycling ensures that lenders will have the liquidity they need to lend to homebuyers. Freddie Mac is a mortgage investor.

All of these people play different but complementary roles. Knowing the role of each type of professional will make the mortgage process flow as smoothly as possible.

Information in this booklet is provided through the Freddie Mac Homeownership website at http://www.freddiemac.com/homeownership/ready_to_buy/

QUICK GUIDE TO HOME BUYING

Getting Started

Mortgage rates are at 50-year lows, making buying a home more affordable than ever for families with a stable income and good credit. Many eligible borrowers are not taking advantage of the opportunities because of misinformation about getting a mortgage today**. It's important that you get the facts about buying a home in today's market.**

What You Will Need

In order to qualify in today's market you will need:

- **A stable income**
- **A good credit history**
- **A downpayment** – Generally, between 5-20 percent of the purchase price for a conventional, conforming mortgage. Many mortgage products have lower downpayment requirements.
- **Documentation** – Responsible lenders today will want documentation verifying your income (W-2 forms, tax returns, and employment), credit history and assets (such as bank statements to verify your savings).
- **An impartial third-party appraisal** – Your lender needs this to verify the value of the house you want to purchase. The lender orders the appraisal and the homebuyer pays for the appraisal.

You will interact with various professionals during the home buying process, all of whom are valuable resources and perform necessary roles.

First Steps to Take

Before you start shopping for your new home, you will want to:

- **Find out your current credit history and score**. You don't want to start out with any surprises.
- **Start gathering all of your documentation** as outlined above.
- **Contact a HUD-approved housing counselor** or other professional to help you develop a spending plan and determine how much you can afford.
- **Consult with your lender to review your income, expenses and financial goals** to determine the type and amount of mortgage you qualify for.
- **Talk to your lender about applying for a mortgage and getting a pre-approval letter**. This letter provides an estimate of what you might be able to borrow – provided your financial status doesn't change – and demonstrates to home sellers that you are a serious buyer.

You are entitled by law to **get a free copy of your credit report**:

- Every 12 months
- Every time you find a mistake and want to make sure it's been fixed
- If you've been denied credit and in certain other situations, such as fraud

To get your annual free credit report, go to www.annualcreditreport.com or call (877) 322-8228. For more information about your rights regarding credit and the Fair Credit Reporting Act, visit the Federal Trade Commission Web site.

There may be a few new rules in today's market, but all the old ones still apply too. Do your research, reach out to the professionals, stick to your budget and be sure you are ready to take on the financial responsibilities of being a homeowner.

Applying for and Getting Your Mortgage

An important step to becoming a homeowner is completing your mortgage loan application (officially referred to as the ***Uniform Residential Loan Application***). This is a lengthy application that documents your personal information (Social Security Number, date of birth, etc.), employment information, assets and liabilities, mortgage terms and much more. You'll want to work with your lender to complete all fields, especially as they relate to the type of mortgage and terms.

Once you and any co-borrowers have completed and signed the application, your lender will:

- **Pull your credit report and score from all three major agencies** to verify your credit history. Make sure you know what they find.
- **Evaluate the four C's to determine if you are creditworthy**:
  - **Capacity** - Current and future ability to make payments
  - **Capital** or cash reserves - Money, savings and investments you have that can be sold quickly for cash
  - **Collateral** - The property that you will purchase
  - **Credit** - Your history of paying bills and other debts on time

At this point, your lender can provide you with **a pre-approval letter** that outlines how much you qualify to borrow and the specific terms of the loan. **Now, you can begin looking for your new home with greater confidence.**

Contact a local real estate agent to help you find homes that meet your needs and your budget.

Once you have found the home you want to buy and have signed a **Purchase Agreement** for the property, you are ready to complete the application process by providing your lender with the address and property details. **Your lender will then**:

- **Get an appraisal** to determine the market value of the property, because it will be used as collateral for your loan. You have a legal right to get a copy of this and will want a copy for your records.
- **Issue a Commitment Letter** detailing the terms of your loan approval.

The Commitment Letter serves as final approval of your mortgage loan and states the terms of the approval. Once you receive and accept this, you are assured the financing needed to complete the purchase of your home and can now focus on completing the details required for closing.

Understanding Your Mortgage Loan

Within three business days after you have completed the mortgage loan application process, your loan officer will provide you with a variety of documents outlining the costs associated with your loan. The most important of these include the Good Faith Estimate and the Truth-in-Lending Disclosure Statement.

Good Faith Estimate

The Good Faith Estimate (GFE) provides you with an *estimate* of your mortgage loan terms and settlement charges if you are approved for the loan. These include:

- **A summary of your loan** defining the initial loan amount, loan term, interest rate and initial monthly payment.
- **Your escrow account information**, such as your property tax and homeowner's insurance that your lender may require you to include in your monthly payments.
- **Your estimated settlement charges**, such as application fee, origination fees, discount points, title charges, etc.

It is important that you read the GFE very carefully and review all fees with your loan officer. At this time, you can evaluate your mortgage application and even explore a few other possibilities before accepting it. You have 10 business days to accept the terms disclosed in your GFE.

Truth-in-Lending Disclosure

You will also receive the Truth-in-Lending disclosure statement, one of the most important forms in the entire mortgage process, three days after completing your loan application. This document allows you to see the total cost of your mortgage under the terms of your mortgage loan, including:

- **Your annual percentage rate**, which combines your interest rate and closing costs into a single percentage.
- **Your finance charges**, which are the total of the closing costs and the interest that you will pay over the life of your loan stated in a dollar amount.
- **Your monthly payment schedule** showing the amount you will have to pay each month and any possible changes to your payment amount.

You will also receive other forms and disclosures after being approved, but these are the most important documents concerning your related costs.

What to Expect at Closing

Closing or "settlement" is when you will sign the final mortgage documents and the property will be legally transferred to you. It typically involves you and any co-borrowers, a closing agent and your real estate agent, although closing practices may vary in your local area.

When preparing for the loan closing, you should **contact your closing agent to determine how much money you will need to bring to closing and any other steps for completing the purchase of your home. If you need to bring funds to closing, the closing attorney will specify the acceptable form of payment.**

Typically, you will need to have **proof of homeowner's insurance** prior to closing the loan.

You will sign many documents at closing and it is important that you read the documents carefully and ask as many questions as necessary. These documents include:

- **The Mortgage Note**. A legal document that provides evidence of your debt and your formal promise to repay the mortgage loan.
- **The Mortgage or Deed of Trust**. The security instrument that you give to the lender that protects the lender's interest in your property. When you sign the deed of trust, you are giving the lender the right to take the property back by foreclosure if you fail to pay the mortgage according to the set terms.
- **The final Truth-in-Lending Disclosure**. This document reflects any changes to the terms of your mortgage loan since your application date.
- **Affidavits and Declarations**. Statements declaring something to be true, such as the property will be your principal place of residence.
- **The HUD-1 Statement**. Discloses the final details of your mortgage loan including:
  - The actual settlement charges you will be paying
  - A comparison of the costs disclosed on your GFE to the costs being charged at closing
  - Your final loan terms