

Mortgage Lending Information

So You Decided

There are many reasons to look into the purchase of a home. Now that you've decided, there are a few new "friends" you need to meet to help you with the decision. The Real Estate and Mortgage Industries are staffed by professionals who make their living helping clients just like you. Like any industry you can experience good customer service and bad customer service. If you are not getting the proper service from your new "friends", do not hesitate to find someone who can help you the way you want to be helped. Referrals from friends and relatives can always be a good source of information. Throughout the process a good Real Estate Broker (utilizing a Buyer's Agency relationship), a good Loan Officer and a good Home Inspector (once the offer has been accepted) will guide you through a procedure that is seemingly complex but one that has been experienced by most homeowners. The quality of your "friends" will determine how smooth the transaction will be.

Why Buy

There are 5 main benefits in buying a home. The first is the investment potential. Real estate historically rises in value. The more marketable a property, the faster the values rise in a normal market place. The second reason is for the tax advantages. Interest, mortgage insurance and real estate taxes are all used to shelter your income from the IRS. Depending on your income and payments, IRS tax payments can be reduced by \$100 - \$350 (loan amount dependent) monthly. The third reason is that your mortgage represents an enforced savings account. Each month, part of your payment goes to pay down the principal on the loan. A "benefit" rent does not offer. The longer the property is owned, the less is owed and the more equity you experience. The fourth reason is the most basic. You need a place to live. Shelter is one of the 5 basic human needs. And the last, is more intrinsic. The property is yours. While it's true you need to mow the grass and shovel the snow, it is your grass and your snow.

Timing

Your decision to buy a home comes first (obviously.) A visit to a Lender to get prequalified comes next. The next step is to meet with a Real Estate Broker to get a feel of what is out there in the range you are qualified for. Lots of looking comes next. Ultimately an offer will be written and possibly countered and then approved. Once approved you need to arrange for the home inspection (which could cause further negotiations), start the financing and arrange for home owners insurance with your insurance agent. Once the appraisal is completed and the loan is approved, the lender will issue a written loan commitment as called for in the offer. All contingencies are then completed and a closing is scheduled. The closing takes about an hour and you have your new home.

Chain of Title

The home you are purchasing sits on land that has been part of the State since Wisconsin became a State in 1848. That land was part of government grants long before that time. Everything that happened to that land since land records started to be recorded need to be in a format that meets Wisconsin Statutes in order to insure you have good title to, and thus, unrestricted use of the property. Under your offer to purchase, the seller of the property likely promises to deliver to you a property free and clear of all encumbrances other than those normal for the market. That promise is insured through the title insurance commitment (and then policy) that the seller customarily for most transactions in the State of Wisconsin delivers and pays for. Your title transfer at the time of closing is designed to follow all legal requirements to make sure you receive proper title and thus allows you to deliver the same assurances when it's time for you to sell the home.

Closing Costs/Origination Fees

In a given market area, required closing costs should be fairly uniform. There may be some differences based upon suppliers but *generally these differences are not major*. At Sunset, we attempt to control these costs for your benefit. The industry has a series of fees commonly known as "Origination Fees." "Origination Fees" can vary by lender type or market area. They include any fee going to the lender or originator that is not designated to a third party supplier.

When shopping for comparison purposes, most of the differences will be found in this category.

Real Estate Taxes

Real estate taxes can, under State law, take priority over the lien position of the mortgage holder. As such it is important to lenders to see that real estate taxes, both general and special assessments, are paid and is the prime reason real estate taxes are escrowed. The Assessor's valuation of the property, and thus the amount of real estate taxes payable can change based upon market conditions and the sales price set by your purchase. We offer a further publication, "Real Estate Taxes," that discusses the working of the tax structure.