

## **Buyer Closing Costs & Other Closing Expenses**

You will have a few other expenses at closing related to purchasing the property, in addition to the deposit. The closing attorney will provide a settlement statement for you to review in advance of closing with exact dollar amount you will need to bring to closing. Below is a general guideline and you acknowledge your closing costs will be specific to your property at closing.

- ✓ Closing costs & attorney fees for closing the transaction will be approximately \$1,500 - \$2,500, depending on your sales price and a few other variables.
- ✓ Loan origination fees to the underwriter and any other expenses associated with obtaining your loan. Expect these costs to be between \$500-\$700.
- ✓ You will be paying your first year of homeowner's property insurance in advance or at closing. You can expect this to range typically from \$1,000 - \$2,000/year depending on the home, condition, and type of coverage you select with the insurance provider.
- ✓ Pro-rated property taxes for the current year, plus 3-4 months to be held in escrow.

Closing costs, in addition to your down payment, may range from \$3,000 - \$6,000, to include all of the items listed above.

**Buyer Initial:** \_\_\_\_\_

**Buyer Initial:** \_\_\_\_\_

# **PURCHASE & LOAN APPLICATION PROCESS**

## *OVERVIEW & REQUIRED DOCUMENTATION*

Purchasing a property on seller finance terms is a great option for many buyers. Please be sure to review and understand the process below & what to expect. It is also important to review the list of required documentation below, as **all of the items listed are required in order for you to be approved for the loan.**

### **PROCESS**

#### Step 1: Sign Contract

- Buyer signs contract.
- Buyer pays non-refundable due diligence fee to seller. This amount shall be applied toward purchase price at closing.
- Buyer must complete and fill out the Seller Financing Terms & Information Sheet Addendum.
  - Buyer must be provided with the full list of required documentation & general qualification guidelines outlined in this document.

#### Step 2: Buyer submits required documentation and loan application.

- Buyer submits all required Buyer documentation & loan application within 7 calendar days of contract via email to the Seller.
- Buyer submits copy of driver's license or photo ID or passport or ITIN (must be photo ID).
- Buyer should be prepared to answer any questions Seller has before submitting to underwriting.

#### Step 3: Loan is reviewed by underwriter, can take up to 7 days. Here are the 3 possible outcomes:

- More Information – Underwriter will need more information from the Buyer.
- Approved – Underwriter issues a conditional approval and we move forward with closing.
- Not Approved – Buyer does not meet requirements. Seller & Buyer to discuss if alternative options are potentially available.

#### Step 4: Scheduling & Additional Information.

- The closing will be scheduled within 2 weeks of loan approval.
- The closing attorney and our Buyer's representative will contact Buyer directly to confirm closing date & time, and collect any other information needed, which will include the insurance binder.

Step 5: Insurance Requirements

- Buyer agrees to will keep all buildings on the property insured against loss by fire or other casualty. If the property is located in a flood hazard area as defined by FEMA, the borrower(s) agree to obtain flood insurance on the property.
- The insurance policy shall contain a standard mortgagee clause to protect the lender (seller).
- The coverage amount of the dwelling must be no less than the sale price of the home.
- IMPORTANT: The Lender (Seller) MUST be named as beneficiary or loss payee on the insurance binder. Copy must be provided to attorney & Lender.

Step 6: Closing.

- Attorney and Buyer's Representative will go through the settlement statement & final amount of funds for closing required.
- Buyer must bring the balance of funds to closing, which will include identified closing costs as noted on the settlement statement.
- Closing funds are either wired or provided via certified check. Cash is not accepted. Wire is preferred.

**Buyer Initial:** \_\_\_\_\_

**Buyer Initial:** \_\_\_\_\_

**BUYER REQUIRED DOCUMENTATION & GENERAL QUALIFICATIONS FOR LOAN APPROVAL**

- ✓ Completed loan application. This is provided to you.
- ✓ Copy of driver’s license and/or passports for anyone on the loan application.
- ✓ Copy of SSN or ITIN cards, or applicable information.
- ✓ If you have ITIN:
  - Do you have a 2-year work or income history? Must be working steadily in same industry for last 2 years minimum with documentation to prove this.
  - Can you verify your income? This can be with bank deposits, tax returns, 1099, w2, or pay stubs. You do *not* have to be a tax filer to meet the requirements.
  - Do you have a credit score on file with the credit bureaus? If not, will you be able to provide the following:
    - 12-month Verification of Rent (VOR) showing no late rent payments in the past 12 months?
    - Can you provide two 12-month payment histories from any of the accounts on the *alternative credit list (see below)*?
- ✓ How are you employed?
  - If W-2 earner, will need 2 most recent pay stubs AND previous year’s W-2.
  - If self-employed, will need previous year’s tax return AND/OR 12 month’s most current bank deposits.
  - If you receive pension, social security, disability, or VA, will need your award letters AND/OR previous year’s 1099.

**Buyer Initial:** \_\_\_\_\_

**Buyer Initial:** \_\_\_\_\_

**BUYER ACKNOWLEDGEMENT – PROPERTY PURCHASE & FINANCING PROCESS**

\_\_\_\_\_(INITIAL) I have reviewed the information provided related to the seller financing of the property, including but not limited to: Seller Financing Terms Addendum, Buyer Closing Costs & Other Closing Expenses, Property Purchase Process Overview & Required Documentation.

\_\_\_\_\_(INITIAL) I acknowledge that the due diligence fee submitted with the contract is non-refundable.

\_\_\_\_\_(INITIAL) I acknowledge I am responsible for submitting all required documents for underwriting within 7 days of contract signing.

\_\_\_\_\_(INITIAL) I am responsible for closing costs which will be confirmed by the attorney prior to closing.

\_\_\_\_\_(INITIAL) I am responsible for obtaining an insurance binder prior to closing and naming the Lender, as Additional Insured/Loss Payee/Beneficiary.

**I HAVE REVIEWED THE INFORMATION PROVIDED & UNDERSTAND THE SELLER FINANCE REQUIREMENTS.**

**Date:** \_\_\_\_\_ **Buyer Signature:** \_\_\_\_\_

**Buyer Name (Printed):**

**Date:** \_\_\_\_\_ **Buyer Signature:** \_\_\_\_\_

**Buyer Name (Printed):**

## SELLER FINANCING INFORMATION SHEET

This sheet is meant to provide an understanding on how the process works and set general expectations for the Buyer.

Q: How do I make my monthly payment?

A: The Seller will provide you specific information on how to make payments. This is typically done with an automatic bank draft each month or by you sending a check. No money orders please. Your payments will be made directly to a servicing company, Seller will provide all of the applicable information.

Q: Can I pay additional principal on my loan?

A: Yes, you can send in any additional amount you wish. This will be recorded as an additional principal payment and will reduce the time it takes to pay off your loan and how much you owe. It does not reduce your normal monthly payment.

Q: Can I refinance or sell the property?

A: Yes, you can do so at any time.

Q: Am I required to keep homeowners property insurance?

A: Yes. You are required to keep insurance on the property at all times per your mortgage agreement. In addition, the Seller must be listed as Loss Payee on your declarations page of the insurance policy. A copy of such must be provided to Seller.

Q: Is my loan escrowed and what does that mean?

A: Yes, your loan is escrowed. An escrowed loan means that you pay a portion of your property taxes & homeowners insurance each month along with your mortgage payment. You should expect to pay up to 15 months of insurance and up to 3 months of taxes at closing as part of your escrow payment. This is money that goes toward your future expenses.

Q: What happens if I cannot pay my mortgage?

A: The first thing to do is to contact the Seller-Lender for information. Explain your situation and see if it is possible to work out a payment plan. Come prepared to discuss solutions, not just the problem. In rare instances if a solution is not available or an agreement cannot be reached, Seller Lender reserves the right to foreclose on the property and take it back.

I have reviewed the information on this sheet & understand.

**Date:** \_\_\_\_\_

**Buyer Signature:** \_\_\_\_\_

**Buyer Name (Printed):**

**Date:** \_\_\_\_\_

**Buyer Signature:** \_\_\_\_\_

**Buyer Name (Printed):**

## Alternative Credit References List

**\*Note: Anyone with no open lines of credit on the credit report will have to provide 12 months of "on time" payment history from 2 of these creditor examples.**

1. Gym membership
2. Hulu
3. Netflix
4. Life insurance
5. Daycare
6. Landscaping
7. Auto insurance (mandatory in most states)
8. Electric bill
9. Water bill
10. Cable
11. Cell phone
12. Alarm
13. Exterminator
14. Trash/Sewer
15. Buy Here/Pay Here (auto, jewelry, furniture)
16. Dental plan
17. Doctor payment plan for services