First Commonwealth Mortgage

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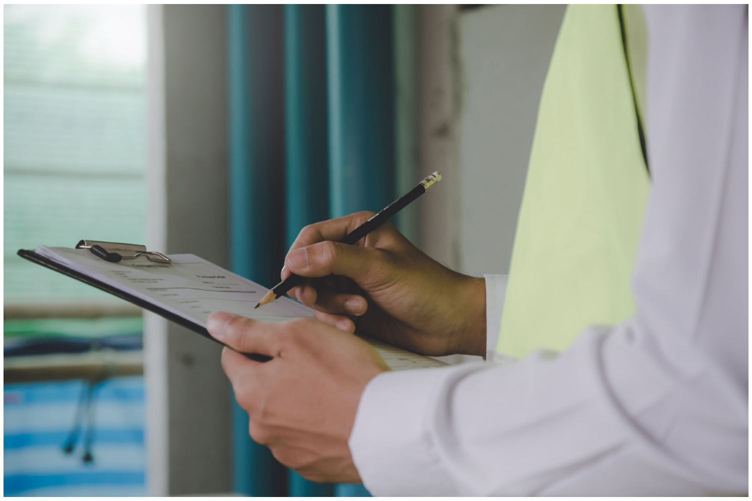
How Does an Appraisal Work on a Purchase Transaction?

If you are purchasing a home and planning on borrowing money when doing this, your lender will want an appraisal on the property. So, what exactly is an appraisal?

An appraisal is an evaluation of the property for two main reasons. The first is to see what general condition the property is in.

Keep in mind that while appraisers are looking for specific things in a property, such as the condition of the roof, kitchen, bathrooms, etc., they won't go into as much detail as a home inspector would. Home inspectors will look into the property much more thoroughly, such as checking the electrical, heating and plumbing systems.

The second reason for the appraisal to be ordered is to see how this property compares to other similar and similarly priced properties in the area, called comparables. All properties have unique qualities that make them worth more or less than their comparables.



These are necessary so the lender has an idea of what they could sell the property for should the buyer be unable to make the payments.

As far as how the appraisal process itself works, it all starts with the signing of the contract. Once this happens, the appraisal is ordered, and you pay for the cost of the appraisal upfront.

The lender then contracts out what is called an appraisal management company (AMC) to perform the appraisal. These are third-party companies whose appraisers, by design, have no contact with the lender itself. This is to prevent any influence from the lender.

Once the appraisal is complete, it is sent to the AMC for review, then to the lender.

If you have further questions about how appraisals work, I am here, at your service, to answer any and all of them. I am just a call or email away.

FCB NMLS # 479240

What Debt Will Be Used on My Mortgage Application?

The debt that will be used on your mortgage loan application will largely be what comes off of your credit report.

This mainly means things like installment payments, which includes car payments. It also means revolving debt, which is made up of credit card debt.

What it doesn't include, in most cases, are things like monthly expenses for groceries, clothing, etc. What you will also need to disclose, even if it isn't on your credit report, is any type of alimony or child support payments that you are required to make, though they would appear on a divorce decree.

All of the debt on your credit report will be used to calculate your financial ratios, with at least one exception.

This is installment debt, such as a car loan, where there are 10 or fewer payments remaining on the loan. At this point in the loan, the lender will remove this debt from your ratios.

Along these lines, it is a good idea to have your credit regularly pulled so you can see exactly what the lender will see when they pull it at the time of application.

Should you have further questions I can answer about debt on your mortgage application or even would like me to pull your credit, please give me a call.