

Good Faith Estimates

Good faith estimates are a mandatory part of every property sale, as required by the Real Estate Settlement Procedures Act — commonly referred to as the RESPA.

The document ensures that you understand and agree to take care of all of the fees and costs associated with buying the home. Of course, this arrives in a mountain of paperwork, only adding to the possibility of confusion.

The good faith estimate is simply intended to aggregate what you'll be expected to pay. If you've never seen one, it might be best to acquaint yourself with the standard items that will be found there. Here's how the good faith estimate break down.

SETTLEMENT AND LENDER FEES

Your estimate itemizes the financial transaction between clients and lenders. One portion of these fees goes to lenders, and the rest are fees and costs associated with closing — including legal and real-estate costs. When you apply for a loan, the broker is required to provide this estimate within



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REAL ESTATE 101

How to Price your Home to Sell

Deciding to sell your home is a big deal, and coming to a consensus on the list price can be the first big hurdle. If you're asking yourself "How much should I sell my house for?", this guide from Zillow experts will help you through the process at bit.ly/3G6emaL.

a three-day period. Dates when payments are due are outlined in the document. When called in to review your good faith estimate, take the time to examine everything and remember that no question is too insignificant. If there are any disagreements, formal written changes can be made; you may also walk away

from the deal. Be aware of the reality of the situation, though: They call this a good faith estimate for a reason. It might not be accurate down to the penny, so the law allows for a margin of error at 10% when estimating fees and costs. Still, this agreement is legally binding, so once it's signed, the deal is done.

WHAT'S INCLUDED

Borrowers are entitled to more than one good faith estimate before completing this process. You don't have to accept the first pass. So, study the list found on the good faith estimate sheets. Many of the various charges won't compare to your larger closing costs, and the bottom

line could fluctuate depending on the outlines of your mortgage. Origination fees and closing or escrow fees make up the bulk of your costs, but the estimate will also include smaller fees like notary services too. Other costs associated with closing include attorney's fees, the title search, transfers and taxes, title insurance, recording the deed and perhaps incidentals like pest control. Originating fees cover everything from securing credit reports, application fees, document drafting, wire transfers, processing and appraisals, among other things. Admittedly, this is a long list. But a qualified real-estate agent can help you sort through it all.

WHY IT MATTERS

Your good faith estimate is a critical element in precisely itemizing your sale. You're locking in the total purchase price for the property, and will be walking away with the clearest possible idea of where the money is going. Evaluating this document line by line ensures that you have enough cash to move forward. If anything seems confusing, or out of order, have your real-estate agent evaluate the estimate. And if things still don't line up, remember that this is your last chance to decide against buying.



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Short Sales or Foreclosures?

If you're looking for rock-bottom price on a piece of property, you'll often hear the terms "short sale" and "foreclosure" as recommended options. The two terms can be mixed up, as both happen after a previous mortgage goes into default.

Foreclosures can follow a failed short sale, too. They are interrelated but not the same. Knowing the difference is critical if you're in the market for a bargain or are worried about what will happen after a rough financial patch.

Here's a deeper look at these two options, so you can decide which is right for you.

FORECLOSURES

Overburdened homeowners who can no longer make the

mortgage payments on their property risk foreclosure. Borrowers reach this crossroads for a variety of reasons, including issues related to employment or their health. It's the end of a difficult period that begins with an inability to stay current on your mortgage, and may take a detour into a short-sale option.

Homes also go into foreclosure when there are no takers on a short sale. When all else

fails, a notice of default is issued to the property owner. There's a grace period to catch up but if missed payments are not made, the property is then seized by the bank or lender.

At that point, the homeowner loses possession, and the bank begins the search for a buyer – often after steeply reducing the price in order to facilitate a quick sale.

SHORT SALES

Short sales are an option for those who want to keep property from being seized by their lender. Distressed borrowers who can't keep up with house payments, or are stuck with a property after relocating, may choose to sell the home for less than they owe in order to get out from under their mounting debts. Quickly

finding an owner keeps them from being issued a notice of default.

This is the last stop before a home is auctioned in foreclosure. The homeowner is freed from the mortgage, but may not recoup any of their equity. In fact, they may lose money in a short sale. The benefit of this kind of sale is that the borrower's credit isn't negatively impacted, as it would be in foreclosure. You're free to walk away. These are intricate transactions, however, and should be handled by a qualified real-estate agent who specializes in short sales. A home can fall into default after only a few missed mortgage payments, so time is of the essence.

IS THERE HELP?

Don't panic if you're having

trouble meeting your mortgage obligations. There are options to save your property from foreclosure, even if you have fallen behind.

Many finance companies work with borrowers to circumvent these proceedings. That's because lenders would rather avoid processing costs, including insurance and taxes, and the need to find a new owner.

You may also be able to negotiate to stay in your home.

As you go that process, you'll be asked to seriously evaluate your finances, set a reasonable budget and sign updated contracts in order to go forward with a new payment program. They may also ask that you do a short sale, or seek bankruptcy advice from an attorney.

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Short Sales: Buying and Selling

Bargain-hunting home shoppers and other cash-strapped home buyers turn to short sales in hopes of finding a home priced below market value. If you're considering buying a short sale home or short-selling your own home, check out this guide from the experts at Rocket Mortgage at bit.ly/3p0elbT.

HOMEWISSE GLOSSARY

Lease purchase: A contract between a tenant and an owner by which part of the monthly rent payments may go toward down payment on the property. When pre-determined sufficient funds are received by the seller, the buyer may seek a first mortgage through a typical lender or in some cases with the seller. **SOURCE:** MLS.com

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