

# Financing your Country Castle

Every home is someone's castle, and when it's time for you to buy your own castle in the country you'll most likely need a home mortgage loan to pay for it. Obtaining a mortgage is a straightforward and established process, so if you work closely with your realtor and your lender you'll have a smooth path to your new home.

## Know Before You Go

Ideally, you should contact your lender before you even start looking for a house so you know the price range you can afford. In a competitive housing market, being pre-approved also improves your chances of being selected by the seller. And if you're turned back at the gate and can't get pre-approved, you can take some time to improve your financial position based on the specific reasons you were denied, and re-apply in the future.

Even before you contact your lender, obtain a free copy of your credit report from [AnnualCreditReport.com](http://AnnualCreditReport.com) to make sure there are no surprises, and determine the down payment you'll be able to bring to the table, which will influence the total amount you'll be able to spend.

## Crossing the Moat

Once you've found your new home, getting across the moat and through the front door is easy.

1. **Contact** your Farm Credit Rural Lending Expert at 855-GoRural. If you aren't already working with one of our lenders, they'll ask you about your home purchase goals, confirm you're working with a reputable realtor and request initial financial documentation to determine what size loan you'll be able to obtain.

2. **Complete** the loan application and provide financial documentation including tax returns, pay stubs and bank statements.
3. The lender will **review** the application and supporting documents to make sure all is in order and request any additional documentation needed.
4. The lender will initiate an **appraisal** of the property to determine the market value. You'll need to pay for the appraisal at the time it's conducted, and if the appraised value is lower than what you've agreed to pay you'll have to make up the difference.
5. You'll likely want to initiate an **inspection** of the home, usually working through your realtor. Inspections aren't required by the lender unless the appraisal reveals a problem. Your realtor will work with the seller to get any necessary problems fixed or otherwise resolved, such as through a reduction in price if it's a serious enough issue.





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6. The lender will initiate **title work** through a title company or attorney to make sure the property has no liens or ownership complications along with obtaining title insurance that covers the lender's mortgage. As the soon-to-be new owner, for a small fee, you can have a separate title insurance policy issued at the same time to protect your investment in the property.
  7. You'll **review** the loan documents, provided by the lender, to make sure they reflect the terms you discussed including amortization, interest rate and fees.
  8. At **closing** typically, you, your realtor and your closing agent or attorney will review and sign the loan documents. You'll deliver the down-payment, if it hasn't already been transferred electronically, and be handed the keys to your new home. You'll also have to pay closing costs if they haven't been rolled into the mortgage.
- price if the sale is completed, is returned to the buyer if a seller fault causes the deal to fail, or is forfeited to the seller if the buyer pulls out of the deal.
  - An **escrow account** is established by your lender to collect money each month to cover certain fees, including property taxes and homeowner's insurance. The annual cost for these essentials is spread across 12 months and paid by the lender when the annual bills come due.
  - Florida's **homestead exemption** reduces the assessed value of Florida residents' primary homes by up to \$50,000, which also reduces the associated property taxes. Homeowners need to own the home by January 1 and file the exemption application by March 1.
  - **Private mortgage insurance (PMI)** is required when your down payment is less than the lender's requirement percentage of the overall price – typically 20%. It protects the lender against loan default, and is included in your monthly mortgage payments until your equity in the home reaches the required level.

## Know the Passwords

The home mortgage process uses unique terms, but they don't have to be a foreign language:

- **Earnest money** usually accompanies your initial offer to buy a home and demonstrates to the seller your commitment to making the purchase. This money is applied to the final purchase





**Finding your castle in the country is easy when you work with an experienced realtor and the Rural Lending Experts at Farm Credit of Northwest Florida. Take the first step by contacting us at **855-GoRural** or by visiting **www.GoRural.net** – our Rural Lending Experts are eager to help you reach your country dream.**

