

# real estate report



## YOUR GUIDE TO BUYING REAL ESTATE

### How to Cut Closing Costs

When you're buying a home, it's often possible to cut closing costs.

One approach is to simply bargain for a better deal and have sellers pay some of your closing costs. Depending on the loan program you choose, "seller contributions" ranging from 3 to 9 percent may be possible.

Another option is to increase your interest rate. Your interest level is somewhat higher with such financing, but the lender pays some or all of your closing costs.

A third option is to roll closing costs into your loan. You get a bigger debt and thus higher monthly payments (because more money is being borrowed), but you need less cash at closing.

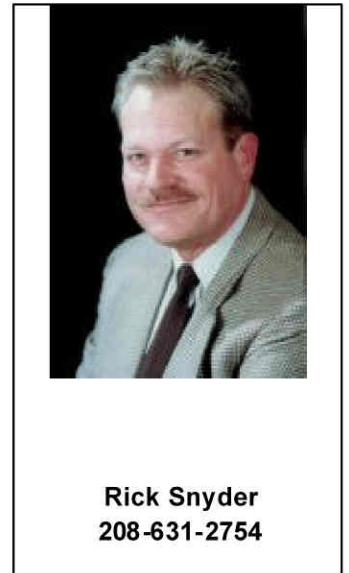
#### *The Hidden Deal*

Most everyone mentions the three cash-reducing methods outlined above, but recent changes in lender guidelines can increase your savings if you know where to look.

Most loans are underwritten using an Automated Underwriting System (AUS). There are a number of competing systems, but most lenders use systems developed by Fannie Mae and Freddie Mac.

Fannie's system is called the "Desktop Underwriter" (DU) and Freddie has the "Loan Prospector" (LP). These applications, developed in the late 90's, are now industry standards.

No longer does the loan officer collect all your documentation, order the appraisal and title work before a human underwriter will look at your loan for an approval. Today, your loan application is entered directly into DU or LP and magically, your loan approval is issued in moments. Documentation of your application will be needed, but your approval is issued first, not last.



**Rick Snyder**  
208-631-2754

How can this save you money?

A recent change in lending requirements addresses the need for a full appraisal. Many times, such automated approvals place more emphasis on the strength of the borrower and less on the full valuation of the property. When this happens, the approval requires only an "exterior" appraisal instead of a full appraisal with photographs. And depending upon the size of the home, this can mean saving a couple of hundred dollars on an appraisal. Of course, you won't get a full appraisal with full color photos of your home, but do you really need that? Many lenders don't ask you if you'd like a full appraisal in lieu of an abbreviated one, mostly because it's not an automatic you'll get that option. So you'll have to ask.

