

UTAH HOMEOWNERSHIP AUTHORITY

CONSUMER GUIDE SERIES

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# THE UTAH Closing Cost Guide

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Everything You Need to Know About  
Closing Costs, Fees & the Settlement Process

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A Consumer Education Guide for Buying, Refinancing, and Home Equity

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This guide covers everything from understanding your monthly payment components to navigating the Utah closing process. Use it alongside the Mortgage Terminology Dictionary at [www.UtahHomeownershipAuthority.com](http://www.UtahHomeownershipAuthority.com) for complete homebuyer education.

# How Escrow Works

Escrow is one of the most misunderstood parts of homeownership. Here's a simple breakdown of how it works and why it exists.

## What Is an Escrow Account?

An escrow account is a special holding account managed by your mortgage servicer. Each month, a portion of your mortgage payment is deposited into this account to cover property taxes and homeowners insurance when they come due.

Think of it as a forced savings account that ensures your tax and insurance bills are always paid on time.

## How Your Monthly Payment Breaks Down



Total Monthly Payment: **\$2,325** (Example based on \$350,000 loan at 6.5%)

## The Annual Escrow Cycle

### Monthly Collection

Your servicer collects 1/12 of your annual tax and insurance bills each month.

### Annual Analysis

Once a year, your servicer reviews the account to ensure enough is being collected.

### Surplus or Shortage

If there's a surplus over \$50, you get a refund. If there's a shortage, your payment increases.

### Bill Payment

When tax and insurance bills arrive, your servicer pays them directly from the escrow account.

## Why Your Escrow Payment Can Change

- Property taxes increase (common in Utah's growing market)
- Homeowners insurance premiums rise
- Your county reassesses your property value
- Initial escrow estimate was too low (common in year one)

You could also have a change in required coverage, such as flood insurance or HOA required coverage.

### QUICK TIP

If you receive an escrow shortage notice, you can usually pay the shortage in a lump sum to avoid a monthly payment increase. Review your annual escrow analysis statement carefully—errors happen, especially with new purchases where initial tax estimates were based on the previous owner's assessment.

# Anatomy of a Closing Disclosure

The Closing Disclosure is the most important document you'll review before signing. Here's what each section contains and what to look for.


## Page 1: Loan Terms & Projected Payments

- Loan amount, interest rate, and monthly P&I payment
- Whether the rate can increase (ARM vs. fixed)
- Prepayment penalty and balloon payment indicators
- Projected payments including escrow

 **Check:** Does the rate match your rate lock confirmation?

## Page 2: Loan Costs

- Origination charges (points, application fees)
- Services you cannot shop for (appraisal, credit report)
- Services you can shop for (title, survey, pest inspection)

 **Check:** Compare each line to your Loan Estimate. Lender fees cannot increase; third-party fees can increase up to 10%.

## Page 3: Additional Costs & Cash to Close

- Taxes and government recording fees
- Prepays (homeowners insurance, property taxes, prepaid interest)
- Initial escrow deposit
- Total closing costs and cash-to-close calculation

 **Check:** Is your cash-to-close within \$500 of what you expected?

## Page 4: Loan Disclosures

- Assumption policy (can someone take over your loan?)
- Demand feature (can the lender require full repayment early?)
- Late payment policy and grace period
- Escrow account details

 **Check:** Confirm the late fee amount and grace period (usually 15 days).

## Page 5: Loan Calculations & Contact Info

- Total of payments over the life of the loan
- Total interest cost
- APR (Annual Percentage Rate)
- Contact information for lender, broker, and settlement agent

### **IMPORTANT**

You have a legal right to receive your Closing Disclosure at least 3 business days before closing. If anything changes after delivery, the clock may restart. Never feel pressured to sign without reviewing every page.

# How Home Equity Works

Home equity is your most powerful financial asset as a homeowner. Understanding how it builds and how to use it wisely can shape your long-term wealth.

## What Is Home Equity?

Home equity is the difference between your home's current market value and what you owe on your mortgage.

$$\text{Equity} = \text{Market Value} - \text{Mortgage Balance}$$

If your home is worth \$500,000 and you owe \$320,000, your equity is \$180,000.

## How Equity Builds Over Time

### Monthly Payments

Each payment reduces your loan balance. Early on, most goes to interest. Over time, more goes to principal.

### Home Appreciation

Utah home values have averaged 5-7% annual growth. A \$450,000 home gaining 5%/year adds \$22,500 in equity annually.

### Home Improvements

Strategic renovations (kitchen, bathroom, energy upgrades) can increase your home's value beyond the cost of the work.

### Extra Payments

One extra mortgage payment per year on a 30-year loan can shave 4-5 years off your term and save tens of thousands in interest.

## Ways to Access Your Equity

### HELOC

Revolving credit line  
Variable rate  
Draw as needed  
Interest only on what you use

### Cash-Out Refi

Replace your mortgage with a larger one  
Receive difference as cash  
New fixed rate

### Home Equity Loan

Lump sum loan  
Fixed rate & payment  
Separate from your mortgage  
Predictable payments

## Equity Growth Example: \$400,000 Home, 10% Down

Year	Home Value	Loan Balance	Your Equity
Purchase	\$400,000	\$360,000	\$40,000
Year 3	\$463,000	\$345,000	\$118,000
Year 5	\$511,000	\$333,000	\$178,000
Year 10	\$652,000	\$295,000	\$357,000

### PROTECT YOUR EQUITY

Never borrow against your equity for depreciating assets (cars, vacations, consumer goods). Use equity strategically: home improvements that add value, education, debt consolidation at lower rates, or emergency reserves. Your home is not an ATM.

# Utah Property Taxes

Understanding how property taxes work in Utah helps you budget accurately and avoid surprises in your escrow account.

## How Utah Property Taxes Are Calculated

Utah property taxes are based on your home's assessed value (which equals fair market value) multiplied by the local tax rate. The formula:

$$\text{Property Tax} = \text{Assessed Value} \times \text{Tax Rate}$$

Utah offers a 45% residential exemption, meaning you only pay taxes on 55% of your home's value if it's your primary residence.

## Average Tax Rates by County (2024)

County	Rate	Est. Annual Tax*
Salt Lake County	0.73%	\$3,285
Utah County	0.58%	\$2,610
Davis County	0.68%	\$3,060
Weber County	0.72%	\$3,240
Washington County	0.55%	\$2,475
Cache County	0.62%	\$2,790
Summit County	0.42%	\$1,890
Iron County	0.60%	\$2,700

\*Based on \$450,000 home value with 45% residential exemption

## Key Facts About Utah Property Taxes

- Property taxes are due November 30 each year
- A 1% penalty applies if paid after the due date
- County assessors reassess values annually based on market sales
- You can appeal your assessment within 45 days of receiving your notice
- Utah has no state property tax—all property taxes fund local services
- New construction is assessed at completion, which may trigger a mid-year adjustment
- Senior citizens (65+) may qualify for property tax deferral programs

## How Property Taxes Affect Your Mortgage

Your lender collects 1/12 of your annual property tax each month through escrow. When taxes increase (common in Utah's appreciating market), your monthly payment rises. A \$50,000 increase in assessed value can add \$20-\$35/month to your payment.



### DID YOU KNOW?

Utah's effective property tax rate (0.57%) is below the national average (1.1%). Combined with the 45% residential exemption, Utah homeowners pay significantly less in property taxes than most states. This is one reason Utah remains attractive for homebuyers.

# Utah Recording Fees

Recording fees are charged by the county recorder's office to officially document your property transaction in public records. Here's what to expect in Utah.

## What Gets Recorded?

- Warranty Deed (transfers ownership to you)
- Deed of Trust (secures the lender's interest)
- Reconveyance (releases previous lender's lien)
- Subordination agreements
- Any amendments or riders to the loan

## Utah Recording Fee Schedule (2024)

Document	Fee
First page of any document	\$40
Each additional page	\$2
Deed of Trust (typical 15-20 pages)	\$68-\$78
Warranty Deed (typical 2-3 pages)	\$42-\$44
Reconveyance	\$40-\$44
Assignment of Deed of Trust	\$42-\$44
Notice of Default	\$42-\$46

## Total Recording Costs for a Typical Purchase

For a standard home purchase in Utah, expect total recording fees between \$125 and \$200. This covers the warranty deed, deed of trust, and any reconveyance of the seller's previous loan.

These fees appear on Page 2 of your Closing Disclosure under "Taxes and Other Government Fees." They are typically split between buyer and seller based on which documents benefit each party.

## Utah Transfer Tax

Good news for Utah buyers: Utah does not charge a transfer tax or documentary stamp tax on real estate transactions. Many states charge 0.5-2% of the sale price as a transfer tax. In Utah, you only pay the flat recording fees listed above.

On a \$450,000 home, this saves you \$2,250-\$9,000 compared to states with transfer taxes.

### DID YOU KNOW?

Utah county recorders now accept electronic recording (e-recording) for most documents. This speeds up the process from days to hours and is standard practice at most Utah title companies. Your closing won't be delayed waiting for physical recording.

# Utah Title Companies

In Utah, title companies handle real estate closings instead of attorneys. Understanding their role helps you navigate the closing process with confidence.

## What Does a Title Company Do?

- Conducts a title search to verify ownership and uncover liens
- Issues title insurance policies (lender's and owner's)
- Holds earnest money in a trust account
- Prepares closing documents and coordinates signing
- Collects and disburses all funds at closing
- Records the deed and deed of trust with the county
- Issues final title policy after recording

## How to Choose a Title Company

In Utah, the buyer typically chooses the title company. Your real estate agent or lender may recommend one, but you have the right to select your own. Consider:

- Responsiveness and communication style
- Convenience of office location for signing
- Experience with your loan type (VA, FHA, conventional)
- Mobile notary or remote signing options
- Reviews from past clients

Title insurance rates are set by the Utah Insurance Department, so the premium is the same regardless of which company you choose. The difference is in service quality.

- Plan for 45-60 minutes of signing
- Bring a valid government-issued photo ID
- Bring a cashier's check or wire transfer confirmation for cash-to-close
- Review your Closing Disclosure before arriving
- Ask questions about anything you don't understand
- You'll sign approximately 50-100 pages of documents
- Keys are typically released after recording (same day or next business day)



### MORTGAGE TIP

Never wire closing funds based on email instructions alone. Wire fraud is one of the fastest-growing crimes in real estate. Always call your title company directly using a phone number you verified independently to confirm wiring instructions before sending money.

# Utah Housing Market Terms

Utah's real estate market has unique characteristics. Here are terms you'll encounter when buying or selling in the Beehive State.

## Water Rights / Water Shares

In Utah, water rights are separate from land ownership. Some properties include water shares for irrigation. These have value (\$2,000-\$15,000+ per share) and transfer separately from the home.

## HOA (Homeowners Association)

Common in Utah's planned communities. Monthly fees (\$50-\$400+) cover shared amenities, landscaping, and exterior maintenance. Review CC&Rs carefully before buying.

## ADU (Accessory Dwelling Unit)

A secondary housing unit on a single-family lot (basement apartment, detached cottage). Utah passed legislation in 2021 making ADUs easier to build in many municipalities.

## Seller's Market vs. Buyer's Market

Utah has experienced a strong seller's market since 2020, with limited inventory driving prices up. A balanced market has 4-6 months of inventory; Utah often has 2-3 months.

## Days on Market (DOM)

The number of days a property is listed before going under contract. In competitive Utah markets, desirable homes may sell in 3-7 days. Higher DOM may indicate overpricing.

## Multiple Offer Situation

When several buyers submit offers on the same property simultaneously. Common in Utah's competitive markets. Strategies include escalation clauses, appraisal gap coverage, and flexible closing dates.

## Appraisal Gap

The difference between the appraised value and the contract price. In hot markets, buyers may offer an "appraisal gap guarantee" promising to cover the difference in cash if the appraisal comes in low.

## Due Diligence Period

In Utah, buyers typically have 14 days after acceptance to complete inspections, review HOA documents, and investigate the property. You can back out for any reason during this period and keep your earnest money.

## 1031 Exchange

A tax-deferred exchange allowing investors to sell one property and reinvest proceeds into another without paying capital gains tax. Popular among Utah real estate investors.

## Greenbelt / Agricultural Exemption

Some Utah properties have reduced tax assessments because the land is used for agriculture. If you change the use, you may owe "rollback taxes" for up to 5 years of the tax difference.

# Utah First-Time Buyer Programs

Utah offers several programs to help first-time homebuyers with down payments, closing costs, and favorable loan terms. Here are the most popular options.



## Utah Housing Corporation (UHC) FirstHome Loan

Down payment assistance up to 6% of the loan amount as a second mortgage at 0% interest, deferred for 30 years. Available with FHA, VA, and conventional first mortgages. Income limits apply (vary by county). Minimum 620 credit score.



## UHC Score Loan

Designed for borrowers with credit scores 620-660. Offers competitive rates with built-in down payment assistance. Requires homebuyer education course completion. Available statewide.



## FHA Loans (3.5% Down)

Not Utah-specific, but widely used by first-time buyers. Minimum 580 credit score for 3.5% down. More flexible DTI requirements (up to 50% in some cases). Requires upfront and monthly mortgage insurance premiums.



## USDA Rural Development Loans

Zero down payment for eligible rural areas. Many Utah communities qualify including Cedar City, St. George suburbs, Tooele, and most of southern Utah. Income limits at 115% of area median income.



## VA Home Loans

Zero down payment for eligible veterans and active-duty service members. No monthly mortgage insurance. Competitive rates. Utah has over 130,000 veterans who may qualify. Surviving spouses may also be eligible.



## Olene Walker Housing Loan Fund

State-funded program providing below-market-rate loans for low-to-moderate income buyers. Limited funding available annually. Contact your local housing authority for current availability.



### FIRST-TIME BUYER ELIGIBILITY

In Utah, "first-time buyer" means you haven't owned a home in the past 3 years. If you owned a home previously but haven't in 3+ years, you qualify again. Veterans are exempt from first-time buyer requirements on VA loans. Ask your lender which programs you qualify for—many buyers miss out simply because they don't ask.

# Additional Consumer Resources

These trusted organizations provide free educational resources, tools, and consumer protections for homebuyers and homeowners.

## **U.S. Department of Housing and Urban Development (HUD)**

Free housing counseling, fair housing enforcement, and homebuyer education programs.

hud.gov | 1-800-569-4287

## **Consumer Financial Protection Bureau (CFPB)**

Mortgage complaint resolution, educational tools, and lender oversight. Their "Owning a Home" tool helps you compare loan offers.

consumerfinance.gov/owning-a-home

## **Fannie Mae**

HomeReady® low-down-payment program, HomeView™ free homebuyer education course, and mortgage calculators.

fanniemae.com/homebuyers

## **Freddie Mac**

Home Possible® affordable mortgage program, CreditSmart® financial education, and the Loan Advisor tool.

freddiemac.com/homeownership

## **U.S. Department of Veterans Affairs (VA)**

VA home loan eligibility, Certificate of Eligibility (COE), and specially adapted housing grants for disabled veterans.

va.gov/housing-assistance

## **Federal Housing Administration (FHA)**

FHA loan requirements, approved lender search, and mortgage insurance premium information.

hud.gov/federal\_housing\_administration

## **Utah Housing Corporation (UHC)**

Down payment assistance, FirstHome and Score loan programs, and homebuyer education requirements for Utah residents.

utahhousingcorp.org

## **Utah Homeownership Authority**

Consumer guides, mortgage education, and personalized consultation for Utah homebuyers and homeowners.

UtahHomeownershipAuthority.com | 435-229-9797

### **CONSUMER PROTECTION NOTE**

If you believe a lender has violated fair lending laws or engaged in deceptive practices, file a complaint with the CFPB (consumerfinance.gov/complaint) or the Utah Division of Real Estate (realestate.utah.gov). You have rights—use them.

# Meet Your Mortgage Guide



## Tres Miller

The Magic Mortgage Lender

Residential Mortgage Loan Officer | NMLS #217768

Tres Miller has spent his career helping Utah families navigate the mortgage process with clarity, confidence, and zero jargon. As a Residential Mortgage Loan Officer, Tres specializes in making complex financial decisions feel simple and approachable.

Whether you're a first-time homebuyer overwhelmed by paperwork, a homeowner exploring refinancing options, or a veteran accessing your VA benefits, Tres brings the same commitment to every client: honest guidance, clear communication, and a genuine desire to help you make the best decision for your family.

### Why Clients Choose Tres

- Plain-English explanations of every mortgage option
- Patient, pressure-free guidance at every step
- Deep knowledge of Utah-specific programs and markets
- Responsive communication (calls, texts, and emails returned same day)
- Expertise across conventional, FHA, VA, USDA, and jumbo loans
- Commitment to consumer education through the Utah Homeownership Authority

### Tres's Philosophy

"My job isn't to sell you a mortgage. My job is to make sure you understand every option available to you, so you can make the decision that's right for your family. An educated borrower is my best client."

### Schedule a Consultation

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 [TMiller@JMJ.Me](mailto:TMiller@JMJ.Me)

 (435) 229-9797

Serving all of Utah | Available evenings and weekends by appointment

# Understanding Mortgage Rates

Interest rates are the single biggest factor in your total mortgage cost. Understanding what drives them helps you time your lock and negotiate better terms.

## What Determines Your Rate?

**Credit Score:** Higher score = lower rate. A 740+ score gets the best pricing. Each 20-point drop can add 0.125-0.25% to your rate.

**Down Payment / LTV:** More equity = less risk = lower rate. 20%+ down typically gets the best rates.

**Loan Type:** Conventional, FHA, VA, and USDA each have different rate structures. VA often offers the lowest rates.

**Loan Term:** 15-year loans are typically 0.5-0.75% lower than 30-year loans because the lender's risk period is shorter.

**Property Type:** Single-family homes get the best rates. Condos, multi-units, and investment properties carry rate premiums.

**Market Conditions:** The Federal Reserve, inflation, employment data, and global events all influence the bond market, which drives mortgage rates.

## Rate vs. APR: What's the Difference?

Your **interest rate** is the base cost of borrowing. Your **APR** (Annual Percentage Rate) includes the interest rate PLUS lender fees, points, and mortgage insurance spread over the loan term. APR is always higher than the rate and gives you the true cost of the loan.

When comparing lenders, use APR for apples-to-apples comparison. A lower rate with high fees may have a higher APR than a slightly higher rate with no fees.

## Fixed vs. Adjustable Rates

### Fixed Rate

- Same rate for entire term
- Payment never changes
- Higher initial rate
- Best if staying 7+ years
- Peace of mind

### Adjustable Rate (ARM)

- Fixed for 5-10 years, then adjusts
- Lower initial rate (0.5-1% less)
- Rate can increase at adjustment
- Best if selling/refinancing soon
- Caps limit increases

## How to Get the Best Rate

- Improve your credit score before applying (pay down cards below 30% utilization)
- Shop at least 3 lenders on the same day (rates change daily)
- Consider buying discount points if staying long-term
- Lock your rate when you're comfortable (don't try to time the market)
- Ask about float-down options that let you benefit if rates drop after locking



### THE RATE IMPACT

On a \$400,000 30-year loan: 6.0% = \$2,398/mo | 6.5% = \$2,528/mo | 7.0% = \$2,661/mo. That 1% difference between 6% and 7% costs you \$263/month or \$94,680 over the life of the loan. Rate shopping is worth your time.

# How Amortization Works

Amortization is the process of paying off your mortgage over time through scheduled monthly payments. Understanding it reveals why early payments feel like they barely reduce your balance.

## What Is Amortization?

Each monthly payment is split between principal (reducing your loan balance) and interest (the lender's profit). In the early years, most of your payment goes to interest. Over time, the split gradually shifts until most goes to principal.

This is why your loan balance barely moves in the first few years, then drops faster and faster toward the end.

## Amortization in Action: \$400,000 Loan at 6.5%, 30 Years

Monthly Payment: **\$2,528** (Principal & Interest only)

Payment	To Interest	To Principal	Balance
Month 1	\$2,167	\$361	\$399,639
Month 12	\$2,141	\$387	\$395,507
Month 60 (Yr 5)	\$2,013	\$515	\$374,149
Month 120 (Yr 10)	\$1,812	\$716	\$338,651
Month 180 (Yr 15)	\$1,543	\$985	\$289,547
Month 240 (Yr 20)	\$1,181	\$1,347	\$221,447
Month 300 (Yr 25)	\$692	\$1,836	\$127,499
Month 360 (Yr 30)	\$14	\$2,514	\$0

## The True Cost of a 30-Year Mortgage

On this \$400,000 loan at 6.5%:

- Total payments over 30 years: **\$910,080**
- Total interest paid: **\$510,080**
- You pay 127% of the original loan amount in interest alone

## Strategies to Pay Off Your Mortgage Faster

This is why even small rate reductions or extra payments make an enormous difference.

- **One extra payment per year:** Shaves 4-5 years off a 30-year loan, saves \$80,000+ in interest
- **Bi-weekly payments:** Pay half your payment every two weeks (26 half-payments = 13 full payments/year)
- **Round up:** Round your \$2,528 payment to \$2,600. The extra \$72/month saves \$42,000 in interest
- **15-year term:** Higher payments but dramatically less interest (\$215,000 vs. \$510,000 on this example)
- **Recast:** Make a lump-sum principal payment and ask your servicer to re-amortize at the lower balance

### DID YOU KNOW?

On a 30-year mortgage, you don't reach the "halfway point" of your balance until approximately year 21. For the first 20 years, more than half of every payment goes to interest. This is why refinancing to a new 30-year term "resets the clock" and should be considered carefully.

# Comparing Loan Types

Choosing the right loan program can save you thousands. Here's a side-by-side comparison of the four most common mortgage types available to Utah buyers.

Conventional	FHA	VA	USDA
<b>Min. Down Payment</b> 3-5%	3.5%	0%	0%
<b>Min. Credit Score</b> 620	580	No minimum*	640
<b>Mortgage Insurance</b> PMI until 20% equity	MIP for life of loan**	None (funding fee instead)	0.35% annual fee
<b>Max DTI</b> 43-45%	50%	41% (flexible)	41%
<b>Loan Limits (2024)</b> \$766,550	\$498,257	No limit	No limit
<b>Property Types</b> 1-4 units, condos, co-ops	1-4 units, condos	1-4 units, condos	Single family, rural
<b>Occupancy</b> Primary, 2nd home, investment	Primary only	Primary only	Primary only
<b>Best For</b> Strong credit, 5%+ down	Lower credit, low down	Veterans & active duty	Rural/suburban buyers

\* VA has no official minimum, but most lenders require 580-620

\*\* With less than 10% down; 10%+ down removes MIP after 11 years

## Cost Comparison: \$400,000 Home Purchase

**Conventional (5% down):** \$20,000 down + \$185/mo PMI + 6.5% rate = \$2,713/mo total PITI

**FHA (3.5% down):** \$14,000 down + \$230/mo MIP + 6.25% rate = \$2,695/mo total PITI

**VA (0% down):** \$0 down + \$0 MI + 6.0% rate = \$2,598/mo total PITI (+ \$9,400 funding fee)

**USDA (0% down):** \$0 down + \$117/mo fee + 6.25% rate = \$2,617/mo total PITI (if eligible area)

### WHICH LOAN IS RIGHT FOR YOU?

Don't assume one loan type is best without running the numbers. A VA loan with zero down may cost less monthly than a conventional with 20% down once you factor in opportunity cost of that cash. Ask your lender to compare at least two options side by side.

# Utah Closing Process Step-by-Step

From accepted offer to keys in hand, here's what to expect during the Utah closing process. Most closings take 30-45 days from contract to keys.

- 1 Offer Accepted (Day 1)**  
Your purchase contract is signed by both parties. Earnest money is due within 24-48 hours to the title company.
- 2 Loan Application (Days 1-3)**  
Submit your full mortgage application with income docs, bank statements, and ID. Your lender orders the appraisal and pulls credit.
- 3 Due Diligence Period (Days 1-14)**  
Schedule home inspection (\$350-\$500), review HOA docs, investigate the property. You can cancel for any reason during this period in Utah.
- 4 Appraisal (Days 7-14)**  
A licensed appraiser visits the property to determine fair market value. If it comes in low, you'll need to renegotiate or bring extra cash.
- 5 Underwriting (Days 14-30)**  
The underwriter reviews your complete file. Respond to any conditions (additional documents) within 24 hours to avoid delays.
- 6 Title Search & Insurance (Days 14-25)**  
The title company searches public records for liens, encumbrances, or ownership issues. Title insurance is issued once clear.
- 7 Clear to Close (Days 25-35)**  
Your loan is fully approved. The lender prepares final documents and sends them to the title company.
- 8 Closing Disclosure (3 days before closing)**  
You receive your CD with final loan terms, payment, and costs. Review carefully and compare to your Loan Estimate.
- 9 Final Walk-Through (Day before closing)**  
Verify the property is in the agreed condition, repairs are complete, and the seller has moved out.
- 10 Closing Day!**  
Sign documents at the title company (45-60 min). Bring ID and cashier's check. Keys released after recording (usually same day).



## CLOSING DAY TIP

Wire your closing funds the day before closing to avoid delays. Never wire based on email instructions alone. Call your title company directly to verify wiring details. Wire fraud costs homebuyers millions each year.

# Mortgage Application Checklist

Gather these documents before applying. Having everything ready speeds up your approval and shows lenders you're organized and serious.

## Income Verification

- Most recent 30 days of pay stubs (all jobs)
- W-2 forms from the past 2 years
- Federal tax returns (past 2 years, all pages)
- If self-employed: profit & loss statement, business tax returns (2 years)
- Social Security, pension, or disability award letters (if applicable)
- Rental income documentation (lease agreements, Schedule E)

## Asset Documentation

- Bank statements (all accounts, past 2 months, all pages)
- Investment/retirement account statements (past 2 months)
- Gift letter (if receiving down payment help from family)
- Documentation of large deposits (source explanation)
- Proof of earnest money deposit

## Identity & Employment

- Valid government-issued photo ID (driver's license or passport)
- Social Security number
- Current employer name, address, phone, and dates of employment
- Previous employer info (if less than 2 years at current job)
- Employment offer letter (if starting a new job)

## Property & Housing

- Purchase contract (once you have an accepted offer)
- Current mortgage statement (if refinancing)
- Homeowners insurance quote or declaration page
- HOA contact info and monthly dues amount
- Landlord contact info (if currently renting)
- Divorce decree or separation agreement (if applicable)

## Credit & Debt

- Explanation letters for any credit issues (late payments, collections)
- Bankruptcy discharge papers (if applicable, past 7 years)
- Student loan statements showing payment amount
- Child support or alimony court order (if applicable)
- Documentation of any debts being paid off at closing



### PRO TIP

Create a dedicated folder (physical or digital) for your mortgage documents. Label everything clearly. When your lender asks for something, you can respond within hours instead of days. Fast responses = faster closing.

# Common Mistakes to Avoid

These costly errors trip up homebuyers every year. Knowing them in advance can save you thousands of dollars and weeks of stress.

## ✗ **Making Large Purchases Before Closing**

Buying a car, furniture, or appliances on credit before closing can tank your DTI ratio and kill your loan approval. Wait until after you have the keys.

## ✗ **Changing Jobs During the Process**

Lenders verify employment right before closing. A job change can delay or derail your loan. If unavoidable, tell your lender immediately.

## ✗ **Moving Money Between Accounts**

Large, unexplained deposits trigger underwriting questions. Keep your money where it is and document any transfers with a clear paper trail.

## ✗ **Skipping the Home Inspection**

Saving \$400 on an inspection can cost you \$40,000 in hidden repairs. Always get an inspection, even in competitive markets.

## ✗ **Not Shopping Multiple Lenders**

The first lender you talk to is rarely the best deal. Get at least 3 Loan Estimates on the same day and compare APR, not just rate.

## ✗ **Waiving Contingencies You Don't Understand**

In competitive markets, agents may suggest waiving appraisal or inspection contingencies. Understand exactly what you're giving up before agreeing.

## ✗ **Ignoring Your Closing Disclosure**

You have 3 days to review your CD before closing. Use them. Compare every line to your Loan Estimate and question any discrepancies.

## ✗ **Draining Your Savings for the Down Payment**

Lenders require reserves (2-6 months of payments in savings). Plus you'll need money for moving, repairs, and emergencies. Don't go to zero.

## ✗ **Co-signing Loans for Others**

A co-signed loan counts as YOUR debt on your mortgage application, even if the other person makes the payments. This can disqualify you.

## ✗ **Not Getting Pre-Approved Before House Hunting**

Without pre-approval, you don't know your budget, sellers won't take you seriously, and you risk falling in love with a home you can't afford.

## ✗ **Opening New Credit Cards or Lines of Credit**

Every credit inquiry and new account lowers your score and raises red flags. Freeze your credit activity from application through closing.

## ✗ **Forgetting About Closing Costs**

Closing costs are 2-5% of the purchase price (\$8,000-\$20,000 on a typical Utah home). Budget for them separately from your down payment.

### **THE GOLDEN RULE**

From the day you apply until the day you close: don't quit your job, don't buy anything big, don't move money around, and don't open or close any accounts. Keep your financial life as boring as possible.

# Understanding Your Loan Estimate

Your Loan Estimate is a 3-page standardized document every lender must provide within 3 business days of your application. It's your best tool for comparing offers.

## Page 1: Loan Terms & Costs at a Glance

**Loan Amount:** How much you're borrowing

**Interest Rate:** Your rate (confirm it matches your lock)

**Monthly P&I:** Principal and interest only (not total payment)

**Prepayment Penalty:** Should say "No" for most loans

**Balloon Payment:** Should say "No" for standard mortgages

**Estimated Total Monthly Payment:** Includes escrow (taxes + insurance)

## Page 2: Closing Cost Details

**Section A – Origination Charges:** Lender fees (points, application fee, underwriting)

**Section B – Services You Cannot Shop For:** Appraisal, credit report, flood cert

**Section C – Services You Can Shop For:** Title search, title insurance, survey, pest inspection

Key rule: Section A fees cannot increase at closing. Section B fees cannot increase more than 10% total. Section C fees can change if you use a provider not on the lender's list.

## Page 3: Cash to Close

**Total Closing Costs:** Sum of all fees from Page 2

**Down Payment:** Your equity contribution

**Deposit (Earnest Money):** Already paid, credited here

**Funds for Borrower:** Cash-out amount (refinance only)

**Seller Credits:** Concessions negotiated in your contract

**Adjustments:** Prorated taxes, HOA dues, etc.

**Estimated Cash to Close:** The bottom line – what you bring to closing

## How to Compare Loan Estimates

- Get estimates from 3+ lenders on the same day (rates change daily)
- Compare APR, not just interest rate (APR includes fees)
- Look at total lender fees (Section A) – this is where lenders differ most
- Check if points are included (lower rate but higher upfront cost)
- Compare total cash-to-close – the real out-of-pocket number
- Ask each lender: "What would my rate be with zero points?"

### QUICK TIP

Keep every Loan Estimate you receive. When you get your Closing Disclosure 3 days before closing, compare it line-by-line to your final Loan Estimate. Any fee that increased beyond allowed tolerances must be refunded to you at closing.

# Mortgage Payment Breakdown

Your monthly mortgage payment includes more than just the loan itself. Here's a complete breakdown of where your money goes each month.

## The Components of Your Monthly Payment

### ● Principal

The portion that reduces your loan balance. Starts small and grows over time as your loan amortizes. On a \$400,000 loan at 6.5%, your first payment puts only \$361 toward principal.

### ● Interest

The lender's profit for lending you money. Calculated daily on your remaining balance. In early years, this is the largest portion of your payment (up to 85%).

### ● Property Taxes

Collected monthly (1/12 of annual tax bill) and held in escrow. Your servicer pays the county when taxes are due. In Utah, expect \$200-\$400/month on a typical home.

### ● Homeowners Insurance

Protects your home against fire, theft, storms, and liability. Collected monthly through escrow. Typical Utah cost: \$80-\$150/month.

### ● Mortgage Insurance (if applicable)

Required if your down payment is less than 20% (conventional) or on all FHA loans. Adds \$100-\$300/month depending on loan amount and down payment.

### ● HOA Dues (if applicable)

Not part of your mortgage payment but a required monthly housing cost. Utah HOA fees range from \$50-\$400+ depending on community amenities.

## Sample Monthly Payment: \$450,000 Home, 10% Down, 6.5% Rate

Principal & Interest	\$2,560
Property Taxes (escrow)	\$310
Homeowners Insurance (escrow)	\$120
PMI (less than 20% down)	\$185
<b>Total Monthly Payment</b>	<b>\$3,175</b>

## What's NOT Included in Your Monthly Payment

- Utilities (gas, electric, water, sewer, trash, internet)
- Maintenance and repairs (budget 1-2% of home value annually)
- Landscaping and snow removal
- Furniture and appliances
- HOA dues (paid separately, not through escrow)
- Supplemental property tax bills (if reassessed mid-year)



### **BUDGET RULE**

Your total housing costs (mortgage + utilities + maintenance + HOA) should not exceed 28-32% of your gross monthly income. If your gross income is \$8,000/month, aim to keep total housing costs under \$2,560. This leaves room for savings, emergencies, and life.

# Continue Your Journey

You've taken an important step by educating yourself about mortgage terminology. Understanding the language of home financing puts you in control of one of life's biggest decisions.

But learning doesn't stop here.

## What Comes Next

The Utah Homeownership Authority Consumer Guide Series offers additional resources to support you at every stage of your homeownership journey:

- First-Time Homebuyer's Complete Roadmap
- Understanding Your Loan Estimate & Closing Disclosure
- Refinancing: When It Makes Sense and How to Do It Right
- Homeowner's Guide to Building and Protecting Equity
- Utah Down Payment Assistance Programs Directory

## Schedule Your Free Mortgage Consultation

I'm ready to answer your questions, review your financial situation, and help you understand your mortgage options—at no cost to you.



Scan to schedule your consultation  
or visit [www.UtahHomeownershipAuthority.com](http://www.UtahHomeownershipAuthority.com)

## Utah Homeownership Authority

Empowering Utah residents with the knowledge and resources  
to achieve sustainable homeownership.

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This guide is for educational purposes only and does not constitute legal or financial advice.  
Consult a licensed mortgage professional for guidance specific to your situation.