How Do I Qualify for a Loan?

The three primary things a lender considers when approving a loan are:

- Credit - do you have a history of paying your bills?
- Income - do you earn enough to afford the mortgage payments?
- Assets - do you have enough money for the down payment and closing costs?

In addition, the property must be approved by the lender. The lender looks at the appraisal report to determine whether the property is worth the sales price.
Approving you and approving the property are two separate things. If the property is not acceptable to the lender, it does not mean that you, as a borrower, have been denied. You just have to buy a different house.

Here are some common reasons that a property might be unacceptable to a lender:

- Insufficient value - you can't get a loan for more than the property is worth.
- Safety issues - the property in uninhabitable in its current condition.
- Marketability - the property is so unique, the lender would have trouble selling it if you went into foreclosure and the bank ended up owning it. A property would not be considered marketable if it is not accessible year-round, or if the house is a log home, dome home, earth home, etc.

Credit

Your credit report tells a lender two main things:

- Your credit score
- Your monthly liabilities - the minimum payments that show on the credit report

Credit score

- A 580 credit score is the minimum score for most loan programs.
- If you don't have a credit score, you can still get a mortgage. You will need to prove that you have been paying 3 different accounts for the past 12 months. Some examples of acceptable accounts are rent, utility bills, phone bills, car insurance, etc.

Monthly Liabilities

- Only the debts that are on the credit report are used in determining the amount you qualify for. Some things that do NOT count against you include car insurance, utility bills, phone bills, food, gasoline, entertainment, etc.
- The balances of your credit cards, car loans, etc. do NOT matter. Only the monthly payments are considered.

Common Mistakes You Should Avoid

- Never assume your score is not high enough. A lender can tell you exactly what to do to raise your score.
- Never assume the score you get yourself is accurate. The credit reports that lenders use

are different than the credit reports you can get by yourself, and the scores are often different.

How to raise your credit score - things you SHOULD do

- Pay your bills on time.
  - Every time you pay a bill 30 days late, it lowers your score.
  - The more recent the late payment is, the more that late payment lowers your score.
- If you missed a payment, get current on that account.
  - If you are past due on an account, just making the late payment and not making the current month's payment, will continue to lower your score.
- Keep balances low on your credit cards and other revolving credit accounts
  - If your balance is more than 70% of the available balance, it lowers your score the most
  - If your balance is 50% - 70% of your available credit, it lowers your score a bit less
  - If your balance is 30% - 50% of your available credit, it lowers your score even less
  - If your balance is below 30% of your available credit, it will improve your score
- Review your credit report with someone who will take the time to go over every line with you
  - Many credit reports contain multiple errors. There are classes on credit reports that will show you how to interpret everything on the report, how to identify errors, and how to fix those errors.

How to raise your credit score - things you should NOT do

- Do not apply for new credit
  - Every time you get new credit, your score goes down until you demonstrate that you intend to pay the bill. Wait until after you close on your new house before buying a car, furniture, carpet, etc.
  - Important note: When applying for a mortgage or a car loan, you can have your credit pulled numerous times during a 14-day period, and it only counts as one time against your score. (The credit reporting agencies know you will shop around for the best deal, and do not penalize you for it.)
- Do not close old accounts
  - The longer your accounts are open, the higher your score will be
- Do not pay off old collection accounts if the collection company is not currently calling you or writing to you.
  - Paying off an old collection account will turn it into a new collection account, and a new "paid" collection lowers your score more than an old "unpaid" collection
- Do not use a consumer credit counseling agency
  - Mortgage underwriters consider consumer credit counseling to be worse than a bankruptcy because most people in consumer credit counseling eventually go bankrupt

Income

The ratio that is used to determine whether you qualify for a loan is called the debt-to-income ratio. It is known as the DTI.

Your DTI is calculated by adding up all of your new mortgage expenses – principal, interest, property taxes, homeowner's insurance, mortgage insurance, and homeowner's association (HOA) fees. We then add all the monthly expenses that are on your credit report, and divide that total number by your gross monthly income (income before taxes or any other deductions). Example: if your mortgage expenses are $1,000 each month and the total of all the monthly payments that show up on your credit report are $900, then your total expenses are $1,900 a month. If you make $3,800 a month, we divide 1,900 by 3,800 and get your DTI of 50%.

If the loan is manually underwritten, meaning the mortgage broker does not use Fannie Mae, Freddie Mac, FHA, or VA software to get you approved, the maximum DTI ratios are as follows:

- Fannie Mae and Freddie Mac = 38%
- FHA = 43%
- VA = 41%

However, if the mortgage broker uses the software, then the DTI ratios are determined by the computer system and are usually much higher. If you have good credit, the DTI can be 50% or higher.

If two people are applying for a loan, then all of their income and all of their expenses are used to calculate the DTI. You cannot count someone's income without counting their monthly debt payments.

Assets

Lenders are only concerned about your liquid assets, which are assets that you can quickly turn into cash. Some examples of liquid assets are checking accounts, savings accounts, money market accounts, certificates of deposit (CD's), mutual funds, stocks, bonds, 401(k) accounts, and IRA's.

Lenders are not concerned about any assets that are not liquid. Some examples of non-liquid assets are cars, household goods, art, antiques, and businesses you may own. Lenders only care about whether you can pay the mortgage they are about to give you. They know you will probably not be able to sell your furniture or your car very quickly if you have to pay the mortgage, so they just don't care about your net worth.

Lenders care about your liquid assets for two reasons:

- They want to make sure you have enough money for the down payment and the closing costs.
- They want to make sure that if you lose your job, you will have enough money to pay your mortgage until you get another job.

The Down Payment

How much money do you need for a down payment? It depends on a number of things, including:

- Type of loan - FHA, VA, USDA, or conventional
- Type of property - condominiums sometimes require more money down
- Type of occupancy - primary residence, second home, or investment property
- Your credit score
- Whether the property is in a "declining market"

Here are the down payment amounts for the different types of loans:

- Conventional (non-government) loans typically require 5% down
- FHA loans require 3.5% down
- VA loans require nothing down (100% financing)
- USDA loans require nothing down (100% financing)

Can someone else give you the down payment? Yes! For FHA loans, a relative can either give you the money or lend you the money. Up until October 2008, the seller was allowed to give you the money for an FHA down payment, but that is no longer allowed.

Can the seller, your mortgage broker, either one of the real estate agents, or anyone else involved in the transaction give you the down payment? No!

Down Payment Assistance Programs

There are many down payment assistance programs available for first-time home buyers.

A first-time home buyer is defined as anyone who has not owned a house within the past 3 years. If a couple is buying a house together, then neither one of them can own a house within the past 3 years.

Down payment assistance programs are generally low-interest loans that cover some or all of the down payment and closing costs. Most of the programs cover about 3% - 6% of the sales price.

They are only meant for people who need the assistance, so if you have $100,000 in the bank, you will not get the assistance. Also, most of them have income limitations, meaning you need to make less than a certain amount to qualify for the assistance.

It's important to remember that these programs are not for every first-time home buyer. The guidelines are very strict for most of them and many people do not qualify. It is always worth pursuing, though.

Down payment assistance programs change all the time, so it is not possible to outline the programs with any accuracy here. Call your lender for the current guidelines.

Mortgage Insurance

Mortgage insurance is an insurance policy that is required whenever the amount of the loan is greater than 80% of the sales price. You, as the borrower, pay for it. The lender is the beneficiary if you go into foreclosure.
Private mortgage insurance (PMI) is for conventional (non-government) loans. Private insurance companies issue the policies, so it is called private mortgage insurance.

The federal government insures FHA loans, so the mortgage insurance for FHA loans is not called private mortgage insurance, just mortgage insurance.

There is no mortgage insurance required for VA or USDA loans.

The rates for private mortgage insurance depend on the borrower's credit score, the loan amount, the amount of the down payment, the type of loan, and a few other things.

The rate for FHA mortgage insurance is the same for everyone, and is almost always much less expensive than the rate for a conventional (non-FHA) loan. That is one of the reasons for the popularity of FHA loans.

Whenever you are getting a mortgage, it is always best to see how expensive the mortgage insurance will be for different types of loans because the rates change very frequently.

Closing Costs

There are many closing costs involved in getting a mortgage. Some of the fees go to the lender, some go to the real estate agents, and some go to third parties (appraiser, title company, etc.).

Your mortgage broker must give you a Good Faith Estimate (GFE) of the closing costs within 3 days of the date you sign the loan application. The GFE is supposed to be very accurate (although it does not have to be exact).

Before the closing, you will receive a Final Settlement Statement (sometimes called the HUD or the HUD-1 because that's the name of the form it goes on). The HUD will show the exact closing costs.

It is very common for mortgage brokers and bank loan officers to give people GFE's that are not accurate, just so they can get you to agree to buy a mortgage from them. If a mortgage broker intentionally provides you with a GFE that has lower than actual fees, that is considered loan fraud.

The seller is allowed to pay for your closing costs, but only up to a certain amount. Keep in mind that the amount the seller is allowed to give you may or may not cover all of the closing costs. The maximum allowable amount depends on the type of loan you are getting and the amount of your down payment. If the sales contract (the contract between the buyer and the seller) specifies a certain amount that the seller is willing to pay for the buyer's closing costs, but that amount is more than the amount allowed by the loan guidelines, then it doesn't matter what the contract says. Make sure you call us to find out the maximum allowable amount before making an offer on a house.

In the table below, you will find a description of the various closing costs. The first column gives the name of the fee as it appears on the GFE, and also the line number where you can find it on the GFE. The second column describes the fee and gives an approximate dollar amount.

Fee and GFE Line #	Fee Description
Loan Origination Fee Line # 801	This is the fee that the broker charges for doing all the work associated with originating the loan. It is profit for the mortgage broker. 1% of the loan amount is the usual origination fee.
Loan Discount Line # 802	If borrowers want a lower interest rate than the lender is offering, they can pay a loan discount fee and get a lower interest rate. This is sometimes referred to as "paying points". Loan discount fees do NOT have to be in increments of 1%, as is often reported.
Appraisal Fee Line # 803	This fee goes to the appraiser, who determines the value of the property. There are many different kinds of appraisals, but the most common one – a full appraisal – costs about $350. The appraiser sets this fee.
Credit Report fee Line # 804	This pays for the credit report. This should be less than $50.
Lender's Inspection Fee Line # 805	This only applies to new construction. The lender will require an inspection before the closing to make sure the house is completed. Usually about $150.
Mortgage Broker Fee Line # 808	A mortgage broker can either list his fee here or include it in the Loan Origination fee described above. You should NEVER pay an origination fee and a mortgage broker fee – it should be one or the other.
Tax Related Service Fee Line # 809	A fee paid to an account servicing company to make sure the property taxes are collected and disbursed correctly. This is usually about $75 - $85.
Processing Fee Line # 810	This pays for the processing of the loan, which involves doing all the paperwork. The mortgage broker may get this fee, or he may pay it to an outside processing company. Processing usually costs about $350 - $450.
Underwriting Fee Line # 811	This is a fee that the lender charges to determine whether the loan falls within the specified risk guidelines. The lender determines this fee. Lenders sometimes break this fee down into a number of smaller fees. $450 - $750, depending on the lender.
Wire Transfer Fee Line # 812	A fee charged to wire funds from the lender to the title company. This is one of the fees that is typically included in the underwriting fee. If it's listed separately, then it should be about $30.
Closing or Escrow Fee Line # 1101	This is a fee that the title company charges to conduct the closing. There are two closing fees for a purchase transaction – a loan closing fee, which the buyer pays, and a real estate closing fee, which the buyer and seller split. The loan closing fee is usually about $250 and the part of the real estate closing fee that the buyer pays is half of that, or about $125. For a refinance transaction, there is no real estate closing fee, only a loan closing fee.

Document Preparation Fee Line # 1105	A fee charged to prepare the final documents that are signed at the closing. This could be anywhere between $35 and $200, depending on the document prep company that is used.
Notary Fees Line # 1106	Sometimes a title company will charge a fee to notarize the documents at the closing. Usually about $35.
Attorney Fees Line # 1107	In Colorado, the title company conducts the closing, so unless the borrower hires a private attorney, there are no attorney fees. Some states require an attorney.
Title Insurance Fee Line # 1108	There are two types of title insurance policies. A lender's policy insures the lender that the buyer has clear title to the property. The buyer pays for the lender's policy. An owner's policy insures the buyers that they have clear title to the property. The seller pays for the owner's policy. For a purchase transaction, the owner's policy is expensive and the lender's policy is inexpensive. For a refinance transaction, the lender's policy is expensive and there is no need to get a new owner's policy (an owner's policy insures the owners for as long as they own the property). The amount of the fee depends on the size of the loan.
Recording Fees Line # 1201	Recording fees are charged by the County Clerk, and pay for recording the various documents to make the transaction legal. The fee is $6 for the first piece of paper and $5 for every additional piece of paper. Total recording fees are usually about $150.
City/County Tax Stamps Line # 1202	The city or county may charge a fee. This does not apply in most areas of Colorado.
State Tax/Stamps Line # 1203	The rate in Colorado is 0.01%. This is $1 for every $10,000 in sales price on a purchase. For a $200,000 purchase price, the fee would be $20.
Pest Inspection Line # 1302	If the lender requires a termite inspection, it is listed here. This is rarely charged in the Denver area because there are no termites here.
Prepaid Interest Line # 901	Mortgages are paid in arrears, meaning you make your payment at the beginning of the following month, unlike rent, which is paid at the beginning of the current month. If a loan closes in a month that has 30 days, and it closes on the 15th of the month, the buyers owe their new lender 16 days of interest, payable at the closing (interest for the 15th through the 30th). Because mortgages are paid in arrears, the first mortgage payment is not due until the end of the following month. For example, if you buy a house in January, you make your first payment in March.
Prepaid Mortgage Insurance Premiums Line # 902	For an FHA loan, the up-front Mortgage Insurance Premium (MIP) is 1.75% of the loan amount. FHA gets this fee and it's used to keep the FHA loan program funded. It can be financed into the loan.

Prepaid Hazard Insurance Premium Line # 903	Lenders require one full year of homeowner's insurance to be paid at closing for purchases. Your insurance company determines this fee. For refinances, a full year's premium is not always required, and the amount is determined by the anniversary date of the insurance policy.
VA Funding Fee Line # 905	For VA loans only, there is a funding fee that helps to keep the VA loan program going. This fee can be financed into the loan. The rates vary, depending on the type of property, how many times the borrower has used their VA entitlement, etc, and range from 1.25% to 3.3% of the loan amount. If the veteran is receiving VA disability, then this fee is often waived.
Reserves - Hazard Insurance Premium Line # 1001	For a purchase transaction, lenders require 3 months of the following year's homeowner's insurance premium to be paid in advance to set up an escrow account. For a refinance, the amount depends on the insurance policy anniversary date. An escrow account contains property taxes and homeowner's insurance premiums, which are collected each month. The lender makes the payments for the owner when they are due.
Mortgage Insurance Premium Reserves Line # 1002	Mortgage insurance is not escrowed, so there will rarely be a fee here, although some lenders charge 1 month of mortgage insurance.
Tax Reserves Line # 1004	This is to set up the tax portion of the escrow account. The number of months of taxes that is required to set up the escrow account depends on when the taxes are due, and also when the first mortgage payment is due. This could be anywhere between 2 months and 10 months of taxes.
Flood Insurance Reserves Line # 1005	This only applies if the property is in a flood zone. Not many properties are in flood zones in the Denver area.
Flood Cert (no pre-printed line #)	Pays for the flood certification, which indicates whether the property is in a flood zone. Usually about $20.
MERS (no pre-printed line #)	MERS stands for Mortgage Electronic Registration System, which is a computerized system that enables lenders to keep track of who owns the mortgage as it gets sold from one lender to another. The fee is $4.95.
Broker Compensation Paid by Lender (no pre-printed line #)	If a mortgage broker charges you a higher rate than the par rate, he will get a rebate from the lender. The lender pays this amount directly to the broker. Mortgage brokers (who fund loans with someone else's money) have to disclose this fee on the GFE, but mortgage bankers (who fund the loan with their own money) do not have to tell you how much they are making.

HOA transfer fees, HOA dues proration, HOA working capital, etc. (no pre-printed line #)	For condos, townhouses, and some detached Planned Unit Developments (PUDs), Home Owners Association (HOA) fees will have to be adjusted based on what the seller has already paid or already owes the HOA for the property up until the closing date. This fee is not included on the GFE, but will be on the final settlement statement. Your real estate agent can tell you how much these fees will be.
Tax Credit (no pre-printed line #)	Property taxes are paid in arrears, so for every day of the year from January 1 until the closing, the seller owes the buyer one day of taxes. This fee is not included on the Good Faith Estimate, but will be on the final settlement statement.

Locking the Interest Rate

Once you have a sales contract, you will know the date of the closing and you can lock your interest rate.

Interest rates go up and down all the time – sometimes a few times a day.

When the interest rate is locked, it cannot go up and it cannot go down.

Loans are locked for a certain period of time, usually in 15-day increments (15 days, 30 days, 45 days, etc.). You should make sure your rate is locked until the closing. If it is not, the interest rate could change before the closing, or you might have to pay for a rate lock extension.

Interest rates change depending on how the mortgage backed securities bond market is trading. If someone tells you they think rates are going to go up or down, do not listen to them. If they knew where rates were going to go, they would not be selling mortgages or writing articles or posting on blogs. They would be trading bonds on Wall Street and making billions of dollars. Anyone who tells you they know where rates are going is not giving you good advice. They are gambling with your money.

Getting Pre-Approved

You will want to know how much you can afford before you start shopping for a house. This is known as getting pre-approved for a mortgage.

The pre-approval process is very easy, very quick, and best of all - it's free! The lender will pull your credit, gather income and asset information, and run your loan through the online underwriting systems at Fannie Mae, Freddie Mac, FHA, or VA, depending on the type of loan you are getting.

You will get approved for a certain amount and you can start shopping for a house up to that amount.

Once you have decided which house you want, your real estate agent will need a pre-approval letter (sometimes called a lender letter or a pre-qual letter) to submit with your offer to the seller. Be prepared to give your lender information to your agent.

The Loan Application

The loan application lists everything that the lender needs to know about you.

Not everything on the application has to be completed – just enough to satisfy federal and state laws and to supply the underwriter with enough information to make an informed loan approval decision.

You should not attempt to complete the application by yourself because you will most likely end up entering much more information than is necessary, wasting many hours of your time. An experienced mortgage broker can complete a loan application in about 15 minutes.

Loan Disclosures

There are a number of different disclosures that must be given to you when you apply for a mortgage. These disclosures are meant to help you understand how the mortgage will affect you financially and legally. The main purpose of the disclosures is to make sure you are as informed as possible about the loan you are about to buy.

Here are some helpful tips to make sure your rights are being protected:

- Never sign a disclosure that is not filled out completely.
- Do not allow your mortgage broker to falsify any information on your application or the disclosures. This is considered to be loan fraud, and is against the law.
- If you have any questions about what something means in one of the disclosures, keep asking your mortgage broker until you understand completely what you are signing.
- If your mortgage broker cannot explain what the disclosures mean, find a new mortgage broker.

The following table contains a brief description of the purpose of each disclosure. Some loans require additional disclosures, but every loan will require the ones that are described here.

Disclosure Name	Description
Borrower Signature Authorization	This gives the broker, credit reporting agencies, lender, title company, and anyone else who is involved in your loan the permission to access and verify your personal information.
Borrower's Certification and Authorization	By signing this disclosure, you are certifying that you are telling the truth on the loan application. It also acts as a Borrower Signature Authorization (see the previous disclosure).

Notice to the Home Loan Applicant - Credit Score Information Disclosure	This disclosure tells you what your credit scores are from the three credit reporting agencies (Experian, TransUnion, and Equifax). It also lists the reasons that your score is not a perfect 850. The reasons are called scoring "factors". (No one has an 850 credit score, by the way.) This is a two-page disclosure.
Disclosure Notices	There are four disclosures on this form. The first one, the Affidavit of Occupancy, states whether you intend to occupy the house as a primary residence or a second home, or if you are buying an investment property. The Anti-Coercion Statement states that you can choose your own insurance company, and you do not have to use an insurance company the lender recommends. The Fair Credit Reporting Act disclosure states that if you are denied credit because of something in your credit report, the credit-reporting agency that listed the negative information has 60 days to give you the reason. The FHA Loans and Government Loans section of this form only applies to government loans.
Equal Credit Opportunity Act	This disclosure states that it is illegal to discriminate against a loan applicant. In the US, everyone has an equal right to obtain a mortgage.
The Housing Financial Discrimination Act of 1977 Fair Lending Notice	This also states that discrimination is illegal in the US.
Mortgage Loan Origination Agreement	This disclosure states that the mortgage broker is going to get paid. It tells you that the broker can either charge you directly, or he can charge you a higher interest rate and then the lender will pay him.
Patriot Act Information Disclosure	This disclosure is part of the Patriot Act and explains that you must provide the mortgage broker with identification information to make sure you are not a terrorist.
Customer Identification Documentation - Patriot Act	This is the form that the mortgage broker uses to collect the identification information required by the Patriot Act.
Privacy Policy Disclosure	This disclosure states that the information the broker collects from you will only be shared with people and companies who need your information in order to complete the loan. There is also a section where you can tell the broker whether you want to receive junk mail and telemarketing calls. This is a 2-page disclosure
Notice to Applicant of Right to Receive Copy of Appraisal Report	Even though you pay for the appraisal, you do not own it. The lender owns it. However, if you want a copy, you are entitled to get one for free.
Servicing Disclosure Statement	This states whether the lender is going to service your loan. Servicing a loan is a fancy way of saying, "sending you the bill." Almost all lenders have another company service their loans. It does not matter at all who services your loan. The terms of the loan cannot be changed, regardless of who sends you the bill each month.

4506-T	This is an IRS form and it gives the lender the right to get a transcript of your tax returns so they can check to make sure the income listed on the application is correct. The second page of this form is the instructions.
Affiliated Business Arrangement Disclosure Statement Notice	If the mortgage broker owns more than 1% of another company that is providing services to you in connection with the transaction (title company, appraisal company, realty company, etc.), then this form must be completed. It does not have to be completed if the mortgage broker is not affiliated with any of the other companies involved in the transaction.
Truth-In-Lending Disclosure	This disclosure shows what your payments will be, and also gives the Annual Percentage Rate (APR) of the loan. The APR is the interest rate of the loan if some of the closing costs are considered in the cost. The intended purpose of the Truth-In-Lending disclosure is to give you a way to compare two loans from different lenders. In theory, if the APR is lower, the loan is cheaper. However, it is very easy to manipulate the numbers that go into the APR calculation, and many dishonest mortgage brokers and bankers will intentionally cause the APR to be lower than it actually is in order to sell the loan to you. Our best advice is to find a mortgage broker whom you trust. If your broker is hesitant to explain how the APR was calculated, find a new broker.
Good Faith Estimate Provider Relationship	If the mortgage broker or the lender is requiring you to use a particular company (title company, appraiser, credit company, etc.), then this form must be completed.
Colorado Mortgage Broker Compensation Disclosure	This is a state disclosure and tells you that the mortgage broker is getting paid for selling you the loan. There are two ways a mortgage broker gets paid. The origination fee is referred to as the “front end” compensation. If the broker sells you the loan at a higher interest rate than the lender is asking, then the broker will get a rebate from the lender. That is known as the “back end” compensation.
Colorado Lock-in Disclosure Form	This disclosure tells you all the terms of your rate lock. It is a 2-page disclosure.
Colorado Tangible Net Benefit Disclosure	This disclosure is to make sure the mortgage broker is not taking advantage of you by selling you a loan that is not in your best interests. You must initial each line that applies to you, and write in “N/A” if the line does not apply to your situation.
Good Faith Estimate	This disclosure lists all of the costs associated with the loan that the borrower must pay. It is only an estimate of what the actual costs will be, but a good mortgage broker can be very accurate in his estimates. There is a description of what each of the costs are in the Closing Costs section on this page.

How to Tell if You Have a Good Mortgage Broker

A good mortgage broker:

- Will not quote you an interest rate before pulling your credit, getting your income and asset information, and discussing the different loan programs with you   It is impossible to know the interest rate without knowing all about your individual situation.
- Will be able to tell you what all the closing costs mean (not just the dollar amount of the fees, but what the fees actually mean).
- Will be able to explain all of the disclosures to you in plain English.
- Will not charge you an application fee, and will not charge you any other fee until the closing.
- Will personally attend your closing.
- Will be licensed by the state.
- Will be approved by Fannie Mae, Freddie Mac, FHA, VA, and all the down payment assistance programs, and will use the online underwriting systems that each of these companies and agencies has available.
- Will not recommend that you pay him in an attempt to "repair" your credit score.

Should You Use a Real Estate Agent?

The seller pays the real estate agent fees, so you should always use an agent when buying a house. A buyer pays nothing for a real estate agent!

Some buyers think they will get a better deal from the seller if they don't use an agent, but agents can almost always negotiate a better deal than you would be able to negotiate by yourself.

Can a real estate agent sell you any house, or do you have to use the agent who listed the house (the agent whose name is on the yard sign)? Real estate agents have access to the Multiple Listing Service (MLS), a computerized system that includes all the houses for sale. Any agent can sell any house.