

## Seven Steps to a Mortgage



### Pre-Qualification

"Prequalification" occurs before the loan process actually begins, and is usually the first step after initial contact is made. In a prequalification, the lender gathers information about the income and debts of the borrower and makes a financial determination about how much house the borrower may be able to afford. Different loan programs may lead to different values, depending on whether you are qualified for them, so be sure to get a prequalification for each type of program that applies to you.

### The Application

The "application" is actually the beginning of the loan process and usually occurs between days one and five of the loan. The buyer, now referred to as a "borrower", completes a mortgage application with the loan officer and supplies all of the required documentation for processing. Various fees and down payments are discussed at this time and the borrower will receive a Good Faith Estimate (GFE) and a Truth-In-Lending statement (TIL) within three business days which itemizes the rates and associated costs for obtaining the loan.

### Opening The File

At this time the lender orders a property appraisal, property survey and credit reports, mails out requests for verifications, if necessary, for verification of employment (VOE) and verification of bank deposits (VOD) and any other documents needed for processing of the loan. All information supplied by the borrower is reviewed at this time and a list of items not yet received is compiled.

### Processing

The "processor" reviews the credit reports and verifies the borrower's debts and payment histories as the VODs and VOEs are returned. If there are unacceptable late payments, collections or judgments, etc., a written explanation is required from the borrower. The processor also reviews the appraisal and survey and checks for property issues that may require further clarification. The processor's job is to put together an entire package that may be underwritten by the lender.

### Underwriting

The underwriter is responsible for determining whether the combined package presented by the processor is deemed as an acceptable loan. If more information is needed, the loan is put into "suspense" and the borrower is contacted to supply more documentation.

"Mortgage insurance underwriting" occurs when the borrower has less than 20% of the loan amount to put towards a down payment. At this time, the loan is submitted to a private mortgage guaranty insurer, who provides extra insurance to the lender in case of default. As above, if more information is needed the loan goes into suspense. Otherwise it is usually returned back to the mortgage company within 48 hours.

### Pre-Closing

During this time the title insurance is ordered, all approval contingencies, if any, are met, and a closing time is scheduled for the loan.

## Closing

At the closing, the lender "funds" the loan with a cashier's check, draft or wire to the selling party in exchange for the title to the property. This is the point at which the borrower finishes the loan process and actually buys or refinances the house.

Closings occur at different places in different states. For instance, some states require that the closing take place at a closing attorney's office while others use a title or escrow company.

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