



Six Steps To A Mortgage - Guide To The Loan Process

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 you are suited for.

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) which itemizes the rates and associated costs for obtaining the loan.

Pre-Approval

Once you have made application, your lender will submit your file for automated underwriting. The automated underwriting systems will review your income, assets, liabilities, credit scores, loan-to-value ratios, and your proposed loan details. This system will then give an approval or denial within 1-3 days of submission.

Processing

Processing occurs between days 3 and 15 of the loan. At this time the lender orders a property appraisal, orders title insurance mails out requests for verifications, if necessary, for employment (VOE) and 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. 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 for judgement, 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 discernment.

The processor's job is to put together an entire package that may be underwritten by the lender.

Underwriting

"Lender underwriting" occurs between days 15 and 25. The underwriter is responsible for determining whether the combined package passed over 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.

Closing

Closing usually occurs between days 25 and 45 of the loan. 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 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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