

Someone *Wants* to Lend You Money. Help Them.



What You'll Need to Complete an Application

Yes, there's a lot to do, but when you break it into parts, it starts to get simpler. Basically, you need to supply information about who you are, where you work, your finances and the house you're buying. That's it.

Start with Personal Information

First, lenders require proof of identity (picture identification, driver's license, passport, Green Card and the like). They also need your Social Security number, age, number of years of schooling, marital status, number and age of dependents, and your current address and telephone number. (If you lived elsewhere in the previous two years, be ready to provide those addresses also.)

Get Your Work Information Together

Start by listing for the past two years your employer's name, address and telephone number; your job title or position; how long you've held the job; and other financial information, including salary, bonuses, commissions and average overtime pay. You may be asked to sign a form

to be sent to your employer (and previous employers if you've held your job less than two years) to verify this information.

Provide all your W-2 forms for the past two years and your two most recent pay stubs. (Some lenders may want to see your entire tax return for the past two years.) If you are self-employed, be prepared to provide complete tax returns for the past two years, along with a profit-and-loss statement for the current year.

Don't forget proof of other sources of income such as rental income, Social Security or disability payments, alimony, child support, etc. Proof of these sources could be canceled checks, copies of leases, divorce decrees, certification of benefits or other documents.

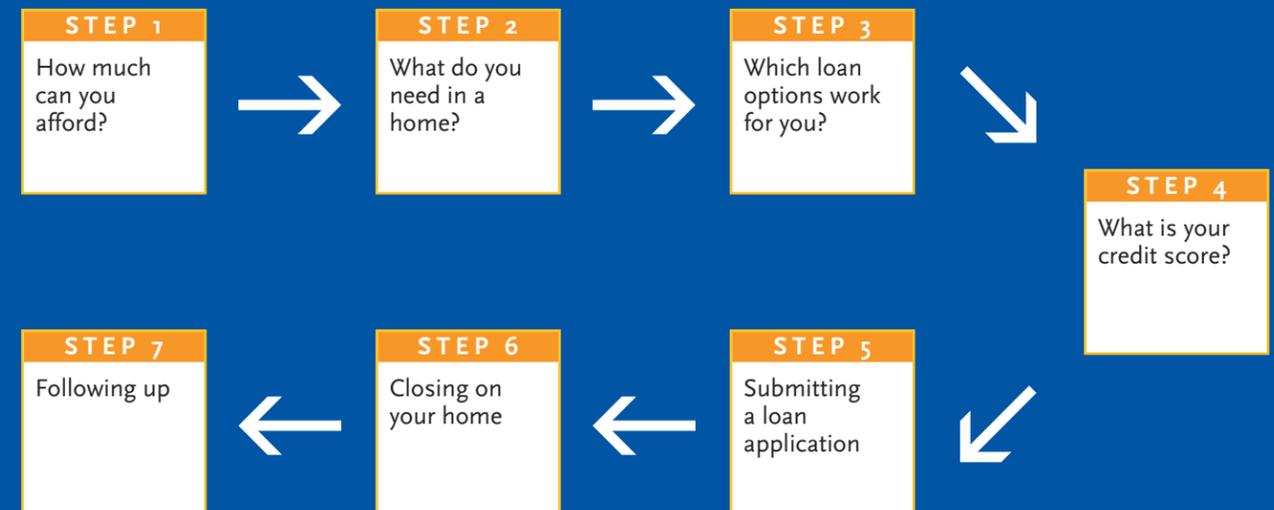
Finally, if there are any gaps in your employment during the past two years for whatever reasons (illness, layoff and so on) provide a brief written explanation.

What to Gather (a preliminary checklist)

- Photo identification
- Last two pay stubs
- Proof of other income
- Last two tax returns
- Employment history (two years), including addresses
- Mortgages or landlords (past two years)
- Your monthly household budget (for your reference)
- All debts
- All savings
- Other assets (life insurance, property and so on)
- Source of downpayment



The Home Loan Process



Information About What You're Buying

In most cases, this will already be in the hands of your lender, supplied to them by a real estate broker or agent. However, you should know the elements.

Just as we started with your basics, there are also the property's basics: address, a detailed description, an independent appraisal and contact information for access to the property (usually the seller or the seller's agent). In addition, your lender should have a complete copy of the signed sales contract. If the home is yet to be built or is under construction, a complete set of plans and architectural specifications may be required.

Where is the Downpayment Coming From?

Your lender will want to know where you obtained the money for your downpayment, closing costs and other fees. Gifts may be used for this purpose, but they must be verified in writing (even gifts from relatives).

A relative who provides a gift must also provide a letter stating the person's relation to you, the amount of the gift and that no repayment is expected. Also, be aware that in some cases payment for credit report and appraisal fees

(usually \$500 or less) may be required when applying.

What Happens after You Apply

Your application, along with the supporting information you provide, is turned over to the lender's loan processing department and then to the underwriter.

Verification

Your lender's processing specialists will verify the information you supply. That is, they will make sure that it's accurate. In addition, they will order your credit report and any other documents needed and arrange for an appraisal of the home.

Underwriting

After verification, the underwriter receives your application. Underwriting is where the final decision to approve or decline your loan is made. The loan officer you work with does not decide whether to approve or decline your mortgage.

Each mortgage lending company uses specific underwriting guidelines, which are statistical models that

incorporate all the data from your application — and they're not all the same. One lender might approve you for a mortgage that another would not.

Waiting

How long will this take? With much of the process automated, approval could come in a matter of hours. The time varies from application to application, but the way to ensure the quickest possible approval is to make sure the information you provide is accurate.

Within three business days of handing in your application, you should receive the following items from your lender (if you did not receive them when you applied):

- The Good Faith Estimate of your closing costs lists what you can expect to pay at the closing of your mortgage upon approval. It is an estimate but should be very close if not identical to the actual costs.
- The Truth In Lending Act (TILA) disclosure provides your estimated monthly payment, your annual percentage rate (APR), the total cost of all finance charges, including points, interest, and loan fees, as well as other information. The APR includes origination fees and other finance charges in addition to the interest rate, so it is usually higher than the

interest rate alone.

- The "Buying your Home: Settlement Costs and Helpful Information" booklet describes the closing process.
- The Servicing Disclosure advises you that the lender may transfer the collection of payments to a loan servicing company, and it shows your lender's 3-year history of such transfers.
- The Affiliated Business Arrangement disclosure (if applicable) notifies you if your lender receives a financial benefit by using a specific vendor (appraiser, title insurance company, etc).

Lenders want to approve loans; that's how they make their living. Be prepared, however, for your lender to ask for additional information about you or the home you're buying. Make sure you're available and able to provide the requested information as quickly and completely as you can. Keep in mind that processing your loan could take several days.

Getting the Word

If your loan is approved, you'll receive a commitment letter (your lender may also call you beforehand, just to give you the good news). It includes the terms of your mortgage, including the interest rate and points, and for how long the terms are offered.

Your commitment letter may also include additional information:

- If the loan is eligible for government insurance or guaranty, you'll receive a written agreement from either the Federal Housing Authority or the Veterans Administration.
- If your downpayment is less than 20 percent of the total purchase price for a conventional mortgage, your lender may need to apply for private mortgage insurance.

Generally, you must accept the commitment letter by

returning a signed copy to the lender in five to 10 days; you may also have to pay some or all the origination fee at this time.

If your loan is not approved, your lender must notify you within 30 days of accepting your completed application and include the reason or reasons for the decision. If your loan request has been denied, make sure you understand why. Your lender can explain the steps you can take to obtain approval in the future.

Anyone interested in buying a home can find detailed information on this topic and many more at MBA's Home Loan Learning Center, <http://www.homeloanlearningcenter.com>.



www.homeloanlearningcenter.com



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