

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



What You'll Need to Complete an Application

Yes, there's a lot to do. But when you break it down into its parts, it starts to get a lot simpler.

Basically, you'll 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

Under the U.S. Patriot Act, lenders will require proof of identity (picture ID, driver's license, passport, Green Card and the like).

You will supply further information including 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 past two years, be ready to provide those addresses, too.)

Now Get all Your Work Information Together

List, for the last two years, your employer's name, address and telephone number; your job title or position; how long you held the job; and all your other financial information

(including salary, bonuses, commissions and average overtime pay). You may be asked to sign a form that will be sent to your employer (and previous employers if you've held your current 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 last 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 could be canceled checks, copies of leases, divorce decrees, certification of benefits or other documents.

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

What to Gather (a preliminary checklist)

- Photo I.D.
- 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 down payment



Information about what You're Buying

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

Just as we started with your basics, there's 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 still under construction, a complete set of plans and architectural specs is required.

Where Did My Down Payment Come from?

Your lender will want to know where you obtained funds for your down payment, closing costs and other fees.

Gifts may be used for this purpose, but must be verified in writing (even gifts from relatives).

If you're providing less than five percent of the sales price in down payment, the gift must come from a relative, along with a letter stating the person's relation to you, the

amount of the gift and that no repayment is expected. Finally, be aware that in some cases payment of credit report and appraisal fees (usually \$500 or less) may be required when applying.

What Happens after You've Applied

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

Verification

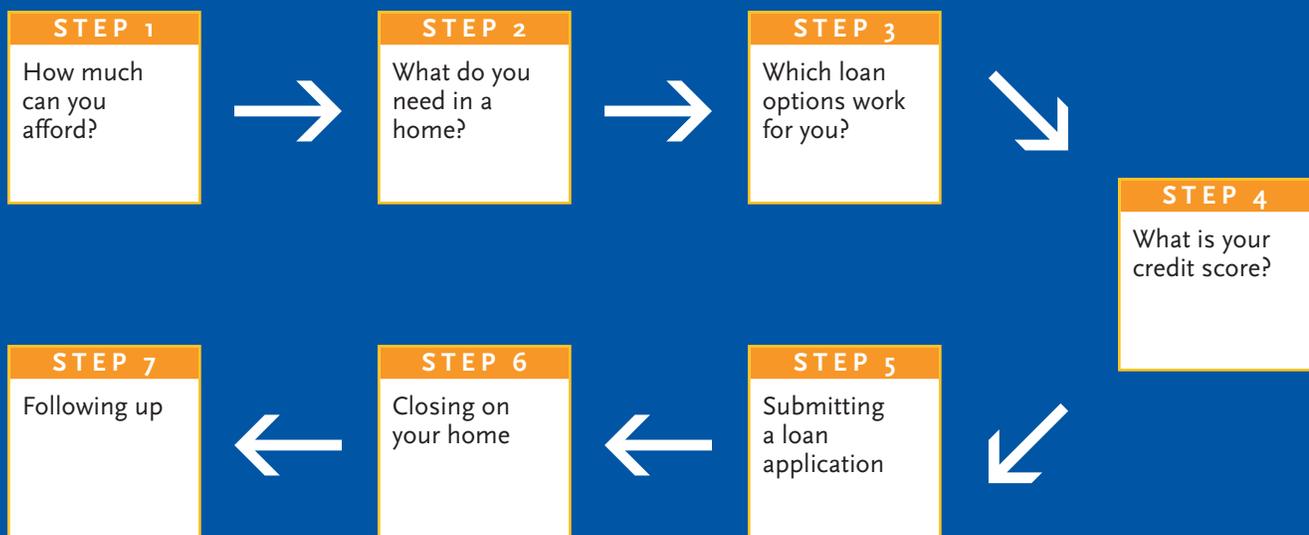
Now your lender's processing department will verify all the information you've supplied. That is, they will make sure that it's all accurate.

In addition, they will order your credit report and any other documents still 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.

The Home Loan Process



Each mortgage lender uses underwriting guidelines, 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. Today, underwriter review is generally an automated process.

Waiting

How long will this take? These days with much of the processes automated, approval could be in a matter of hours. Of course, the time varies from application to application, but the way to ensure the quickest possible turnaround is to make sure the information you turn over is accurate.

Within three business days of handing in your completed application you will receive the following from your lender (if you hadn't already received some of them earlier):

- A good faith estimate of your closing costs lists what you can expect to pay at the closing of your mortgage upon approval.
- A truth-in-lending disclosure statement 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. Because the APR includes origination fees and other finance charges in addition to the interest on the principle, 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 statement advises you that borrowers may transfer payment collection to another loan servicer and reports your lender's three-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.

Lenders want to approve loans. After all, that's how they make their living.

However, be prepared 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 — it's not necessarily a bad sign.

Keep in mind that processing your loan will take several weeks under the best circumstances.

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 down payment is less than 20 percent of the total purchase price for a conventional mortgage, your lender will apply for the required private mortgage insurance.

Generally, you must accept the commitment letter by returning a signed copy to the lender within 5 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 help explain what steps you can take so you can reapply in the future.



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