

# Components of the Loan Process

The following pages provide snapshots into the loan process. Greater detail on each step will be provided by us at each stage of the financing process. You'll have access to our expertise throughout, and we'll be there to celebrate with you at the end!

## Inquiry Conversation

The first step in the loan process, the inquiry conversation, embodies two of our essential values: relationship and thoroughness. From our first contact, we will strive to understand as much as we can about you, your home-financing needs, and desires. We will also begin the process of understanding your ability and willingness to repay the loan.

“Ability to repay” refers primarily to your current employment and total income versus debt.

“Willingness to repay” looks at the consistency of your credit story, both past and present.

With a quality finance professional (loan officer) you can expect:

- ◇ An informed interview
- ◇ Questions about you and your hopes/desires
- ◇ An explanation of the steps of the loan process
- ◇ Questions about your ability and willingness repay the loan
- ◇ A request for initial documents, as appropriate

## CREDIT REPORT

A necessary component in any loan process is a credit report, necessary to understand your full credit story. We will represent you in acquiring, evaluating, and explaining your credit history, including your credit score (see Page 8 for more info). It is important to remember that most people have some credit hurdles, but most of them can be overcome or worked around, allowing us to provide the best loan fit. We may even be able to help you improve your credit score in the future.

The credit report covers five important areas:

- ◇ Identification information
- ◇ Credit information
- ◇ Public record information
- ◇ Previous credit inquiries

The information you provide us at the inquiry conversation, along with your credit report, will allow us to formulate a **Loan Preapproval**, which can streamline your home search and is typically required by realtors before actively showing you homes. As a result of this information you will be contacted within a few days with:

- ◇ A Good Faith Estimate (GFE), which will itemize fees and provide you an estimate of the complete cost of your loan
- ◇ A Truth-In-Lending Statement, which will offer total loan figures



## LOAN PROCESS, CONTINUED ...

### REQUIRED DOCUMENTS

There are some basic documents needed in acquiring most home loans. You will be asked to provide the following:

- ◇ Employment/salary verification. This will usually require W-2s, pay stubs
- ◇ Bank statements, including funds necessary for “closing”

And, if appropriate, provide:

- ◇ Copies of tax returns
- ◇ Documentation of investment accounts
- ◇ Rental agreements from investment properties
- ◇ A copy of your Green Card (if not a U.S. citizen)
- ◇ Divorce decree
- ◇ Child support documentation
- ◇ Previous mortgage note (primarily in the case of a second mortgage)

### MORTGAGE PROGRAMS AND RATES

As an experienced mortgage brokerage, Mortgage Trust has access to hundreds of loan programs (through our many lending partners) to consider on your behalf, based on your desires. If you plan to keep the loan for only a few years, an “adjustable” or “balloon” loan may serve you best. For a home to “grow old in” a fixed rate may be more suitable. With so many loan programs, each with different rates, points, and fees, your personal loan officer will seek out the best options to help you make an informed and intelligent decision.

### PROCESSING

Once the application is completed, our in-house processor will collect and process all the necessary documents:

- ◇ Application and credit report
- ◇ Appraisal
- ◇ Preliminary title report
- ◇ Written explanations for credit issues (late payments, collections, etc.)

When all documentation is professionally accounted for and confirmed, the package can be submitted to the lender for approval.

### APPRAISAL BASICS

A property appraisal does not create value, but instead interprets the overall home market to determine a value estimate. The appraisal process ensures that you, the purchaser of the property, receive full value for your purchase expense.

The appraiser will consider:

- ◇ Property location
- ◇ Features of the property
- ◇ Physical condition of the property

There are three different “property tests”:

- ◇ Value: what it would cost to replace the property
- ◇ Comparison: what did comparable properties sell for
- ◇ Income generation: if used as a rental property, what income is expected



## LOAN PROCESS, CONTINUED ...

### UNDERWRITING

The complete loan package, as collected by the processor, is **UNDERWRITTEN IN-HOUSE** or sent to the lender (one of numerous banks with whom Mortgage Trust has a proven relationship). The underwriter then evaluates the package as to whether or not it is appropriate for the requested program. It is then either: 1) approved, 2) approved conditionally (requiring further documentation) or 3) denied, as outside that particular loan's parameters.

### CLOSING (AKA FUNDING)

Once a loan is approved, the paperwork securing the property and detailing the terms of the loan are sent to the third-party "escrow officer." It is the escrow officer's responsibility to prepare funds for allocation and fulfill signature requirements.

At closing you will:

- ◇ Bring a cashiers check for your down payment and closing costs if required
- ◇ Review the loan documents, making sure the interest rate and terms are consistent
- ◇ Verify that the names and addresses on the documents are accurate
- ◇ Bring identification and proof of insurance
- ◇ Sign the loan documents

The documents are then returned to the lender. If everything is in order, the lender arranges for the funding of the loan. The mortgage note and deed are then recorded at the county recorder's office and the final settlement statement is printed. Final fund disbursements are then made.

### CONCLUSION

The timeline for the entire loan process varies based on each situation and circumstances. It is not unusual for the loan process to take less than a month, and in rare exceptions within 10 business days. You will be notified at every critical juncture along the way and assisted in being prepared for each one.

At its conclusion you will have a new loan AND A NEW HOME or fresh financing on an existing property. Either way, our goal is to see your lending needs fulfilled in the most professional and streamlined manner possible.

