Mortgage File Underwriting

Credit Scoring

Credit scoring compares your credit record with the theoretical "perfect borrower." And throughout the years the credit score has proven to the industry to be predictive of loan performance. As such, it is not ignored. Credit scoring determines the rate you pay on a home loan and whether or not you are able to get the loan.

A credit score is an evaluation of your credit record (accurate or not) at a point in time. It takes time to evaluate the score, the components of the score and the validity of the factors affecting the score. The correct time for you to be aware of your score is long before you need the loan as it takes time for any corrections to become effective.

We have further information concerning credit scoring should you be interested.

Value Basis - Collateral

Value is always defined as the lower of purchase price or the appraised value. The borrowers may pay whatever they feel the property is worth. The lender is obligated to value the collateral as a check for risk purposes. "Decorating" or other unauthorized "Seller Concessions" will be treated as reductions in purchase price and cannot be used to receive cash back. The transaction must be wholly defined in the offer to purchase with no side agreements recognized or in effect.

Value cannot be presumed. The appraisal will use the latest published data to define that value and will not always reflect the opinion of the buyer and seller or owner.

A property is worth what someone (typically the market in general) will pay for it. The appraisal evaluation process defines what the general market indicates is the proper valuation. Because of your situation the property could be worth more or less to you than what the market place as a whole indicates.

How Much Is Too Much

The monthly payment you can be approved for varies by credit situation. Over the years the Industry has gone from using 2 debt ratios (one for housing and one for total debt) to using the single total debt ratio. The more qualified an applicant is from a credit and a down payment standpoint, the higher the payment the applicant can be qualified for. Typically the upper end of credit qualification is at 43% - 45% (total debt payments divided by total gross verifiable income.)

Income Verification

Since October of 2007, no income and no income verification programs have become politically incorrect. For years the Mortgage Industry tried to come up with safe ways to not require income verification either because financial positions were too complicated or because the income was from a non-verifiable source. Over all, it was determined the experimentation with "no income loans" did not work. Generally speaking, if the income cannot be verified (mainly through income tax documentation) – the income cannot be used for qualifying purposes.

A Lender To Trust

For years we've talked about going to "My Bank" or "My Broker" for a mortgage loan. While the company and its structure is important to the lending process, the Mortgage Loan Officer becomes the cornerstone of making everything work.

The home buying process is significantly complex, both financially and legally, that many more considerations need to be taken into account when choosing a Loan Officer/Lender. We advise applicants to shop for someone that they can trust and feel comfortable with. There should never be an issue with getting answers or understanding the process. This includes the availability of the Loan Officer and his or her ability to provide the information and service required.

The mortgage loan application process becomes a learning experience.

Asset Requirements

At the time of the loan application, funds needed to close the loan must be identified and be able to be verified. Vague references to availability will be challenged. If funds are coming as a "gift" there may be some restrictions that can affect pricing and/or program availability. However, open communication with our Origination Staff will help to avoid any pitfalls.

Should there be any questions, as to what is allowed for use as a down payment or for other funds required for settlement, it is best to get in touch with an experienced Loan Officer at least 60 days prior to your expected loan application.