

The Loan Process

About the Loan Process

Pre-Qualification

Pre-qualification occurs before the loan process actually begins, and is usually the first step after initial contact is made. 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 pre-qualification 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) within three days that itemizes the rates and associated costs for obtaining the loan.

Processing

Processing occurs between days 5 and 20 of the loan. 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 judgment, 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 21 and 30 or sooner. 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

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.

Pre-Closing

Pre-Closing occurs between days 25 and 30. During this time the title insurance is ordered, all approval contingencies, if any, are met, and a closing time is scheduled for the loan.

Closing

Closing usually occurs between days 25 and 45 of the loan (depending upon the designated length of your escrow). 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.