Work with Lenders Toward Speedier Closings, by Rick Cossano
Real Estate Today®, May 1995, pp. 43-46.

Work with Lenders Toward Speedier Closings

Here are eight things you can do to help transactions close PDQ (pretty darned quick).

By Rick Cossano

Ahhh...the sweet smell of success. You'll experience it more often if you know how to facilitate the mortgage process. Even if you'd rather leave the finance to the finance experts, there are many things you can do to help assure quicker loan closings.

1. Urge buyers to get preapproved and lock in a rate (if possible) before they start shopping for a home. Prequalification is a verbal exchange between buyers and lenders to calculate how much the buyers can borrow. Preapproval goes one step further: It's an actual commitment to lend, provided the buyers still qualify when they're ready to borrow. If the borrowers meet the underwriting guidelines, and if all the information can be verified, the lender will grant a conditional loan preapproval. If, when ready to buy, the borrowers still meet all the guidelines, the lender will lend. Preapproval gives lenders a head start by allowing them to verify financial information while the buyers shop for a home.

Locking in a rate early helps buyers hedge against rate increases and may allow them to receive a lower rate if rates drop. Locking in a rate before shopping eliminates the possibility that the buyers will no longer qualify if rates climb. Seek out lenders that offer a rate guarantee program, but make sure the buyers carefully read and understand the terms of their lock before they commit.

2. Give buyers a checklist of documentation they'll need to give the lender. Missing information has been known to cause breakdowns in the loan process. If buyers have all the necessary paperwork and documentation ready when they apply for their loan, the process can be expedited and will be less overwhelming. You'll probably want to include the following on your checklist:

• Current pay stub or a W-2 so that there's no dispute over income

• Information on liabilities (revolving debt, credit cards, and so on), with names, account numbers, balances, and minimum payments

• Bank information, with account numbers and banking institutions' addresses

• Records of any other savings, such as stocks, bonds, and certificates of deposit

• For self-employed buyers, tax returns (personal, partnership, or corporate) for the past two years and a current year-to-date profit-and-loss statement. Buyers who've owned their business for less than two years may still qualify, depending on such factors as the loan-to-value ratio, their line of work before becoming self-employed, and the outlook for their business success.

3. Counsel the buyers on what to expect. Time after time, buyers complain about not being told up front what will take place during the loan process. Many buyers are unprepared for the number of different people they'll have to deal with during the process. You can prevent eleventh hour surprises by explaining the role of the lender, appraiser, closing agent (if applicable), attorneys, credit bureau, and title insurer, as well as state and local housing authorities and mortgage revenue bond programs.

Inform buyers that they should receive progress reports throughout the loan process, and tell them to ask their lender for a schedule. Also, make use of any brochures or videotapes the lender offers to help prepare buyers for the loan process.

4. Start the interrogation early. The right line of questioning can help you anticipate potential problems. Some buyers may be uncomfortable giving you personal financial information. Assure them that by answering the questions now, they're helping expedite the transaction. (If you're acting as a subagent of the sellers, be sure to let buyers know that anything they tell you that's germane to the sale must be passed on to the sellers, and ask whether they'd be more comfortable sharing the information with their loan officer only. If you're representing the buyers, remind them that the information they're giving you is confidential.)

Ask such questions as:

• Have you experienced a bankruptcy? Although a bankruptcy doesn't preclude someone from buying a home, buyers will need to work with a lender right away to determine whether the bankruptcy has been cleared and the buyers have fulfilled all requirements.

• Do you have the down payment, and what's the source? Often buyers say, "Of course, we have money for the down payment," but halfway through the loan process, the lender discovers a catch. For example, the money is in a bank in another country.
If you can learn the source of funds early, you can advise buyers to have the funds wired to a U.S. bank as soon as possible. Also, buyers occasionally have the down payment in the form of hard assets such as a car to be sold or gold to liquidate. If buyers are planning to liquidate an asset, tell them to have the funds deposited in their bank immediately.

• Do you have any past credit problems? If you suspect blemishes in their credit record, strongly recommend that the buyers obtain a merged, in-file credit report (called merged because the report includes credit information from more than one credit repository). The buyers will be able to spot any problems or misinformation early, minimizing last-minute surprises.
These in-file reports usually cost about $20 and are available within seconds. Compare that with the $60 and one- to two-day turnaround time for the more detailed residential mortgage credit report (RMCR). In some cases, lenders accept the merged report in place of the RMCR. In other cases, they'll require the RMCR anyway.

• Have you had any gaps in employment? Buyers must document and explain any gaps. Lenders want to see information that leads them to conclude that buyers with past gaps are likely to succeed in their present job. For example, the lender would probably look favorably on an engineer who took time off from working to get an advanced engineering degree or to study engineering practices in another country.

5. Look for mortgage lenders with local underwriting capabilities. Some lenders use off-site central credit committees or processing units to decide on the fate of their loans, which can delay the loan process. Local underwriting and funding authority can provide buyers with faster answers.

Furthermore, since local underwriters are often members of the community where they work, they may offer greater awareness and sensitivity to the economic conditions of the area. Consider an underwriter working in Iowa, where home values may be $100,000—$85,000 for the property and $15,000 for the house itself. That underwriter may find it hard to underwrite a loan for a million-dollar home in Malibu, Calif., where the property may be worth $750,000 and the house $250,000.

6. Help appraisers perform their jobs better and faster. Before you meet the appraiser at the property site, prepare a list of two to three comparable homes in the area that have sold in the past six months. Be sure to include their address and sales price. Although this is a simple task for you, it can save the appraiser valuable time—time that can work in the buyers' favor.

7. Understand how lenders use technology. You'll be able to keep buyers better informed if you stay up-to-date on lending technology and know which lenders in your area are using it. Technology allows lenders to automate a variety of functions. For example, some lenders can underwrite loans using artificial intelligence (AI). In routine cases, an AI system can approve a loan application in ten seconds.

Lenders can also receive credit reports electronically. That eliminates the time it takes to input pages of information and minimizes the chance that the data will be input incorrectly. Some lenders may already be communicating electronically with title companies, mortgage insurers, and appraisers, and soon lenders will be able to verify employment and deposits on-line rather than by calling buyers' employers and depositories.

8. Don't be afraid to pick up the telephone. By staying informed during the loan process, you can help eliminate the pitfalls that slow it down. Discuss any areas of concern with buyers, and urge them to respond promptly to any lender requests for additional information or documentation.

Although the lenders you work with may already communicate with buyers on a frequent basis, they may see you as the intermediary who can reinforce the importance of quick responses to their questions. If you're going to serve this role, get written permission from the buyers to receive loan status reports.

The loan process goes smoother and faster when it's a partnership between you and the lender. By educating buyers and keeping open the lines of communication, both of you can do your job more effectively.

Mr. Cossano, a licensed real estate and mortgage broker, is executive vice president of consumer markets for Countrywide Funding Corporation, Pasadena, CA.

Work with Lenders Toward Speedier Closings, by Rick Cossano
Real Estate Today®, May 1995, pp. 43-46.

TURN PROPERTY FACT SHEETS INTO MORTGAGE AIDS

By Marc S. Standig

When you list a home, you probably prepare either a fact sheet or a brochure giving information about the listing. Such fact sheets can make a great impression on sellers and help buyers remember your listing.

Why not take your promotions a step further? A fact sheet that includes some mortgage scenarios can help turn shoppers into buyers and can help you close sales more quickly.

Imagine a young couple who are thinking in terms of a 30-year fixed-rate mortgage and know the most they can borrow is 28 percent of their monthly gross income. A loan officer has told you that some buyers can get a 33 percent ratio on fixed-rate loans and that there are 7/23 programs that offer buyers a lower interest rate for the first seven years. Ask the loan officer to prepare a few examples of financing arrangements, and incorporate that information into a mortgage fact sheet. You'll help the buyers see beyond their original plan.

You can also use the mortgage fact sheet to guide buyers through the mortgage maze. Be sure to include the following important items regarding your listing:

• Current property taxes (or school taxes, as levied on real estate)

• Year the home was built

• Accurate legal description of the property (Call the local municipality for the block and lot numbers. If survey information is used, have a copy of the survey ready to give to the selling salesperson.)

• An accurate floor plan, which you can also make available to the appraiser

• Information from some property and casualty insurers about the monthly cost of hazard insurance (homeowner's insurance)

• Information about flood insurance—whether it's required and, if so, the current monthly premium

• The exclusion or inclusion of certain fixtures, such as a ceiling fan or track lighting (Have the sellers estimate a value and indicate the value on the fact sheet and on the contract. But keep in mind that extras can affect buyers' ability to get a loan in low down payment and low appraisal situations, because the appraiser will subtract the value of the extras from the appraised value—reducing the maximum mortgage the lender will agree to lend.)

• Your name, phone number, and fax number as a contact for the lender's appraiser

• A mortgage application checklist (Use the checklist in the main article as your guide, but check with local lenders to ensure you're not missing anything.)

For a listing in a planned unit development (PUD) or a condominium, include the type of association (PUD or condo), association name, phone number, contact person, and current monthly fees, and indicate whether the property is FHA or VA approved (FHA and VA approval lists change periodically, so keep tabs on this item).

Most buyers will eventually become sellers. If you've kept them informed during the homebuying process, they may be more receptive to your listing presentation when it's their turn to sell.

Mr. Standig is a loan officer with Glendenning Mortgage Corp., Toms River, N.J.

Turn Property Fact Sheets Into Mortgage Aids, by Marc S. Standig
Real Estate Today®, May 1995, p. 44.