

MORTGAGE LENDING UPDATE

By David Griffin

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Application documents

The first order of business after a loan application has been made with a lender is to provide certain financial documentation to that lender to confirm the statements made. The typical list of requested documents would include two month's worth of bank statements, one month's worth of paystubs, and two year's of W-2's. In addition, a photo copy or at least a glance at a picture ID may be requested to document the person is who they claim to be. Depending upon the type loan requested or perhaps the borrower's past financial situations, other documentation may also be requested. For example, if an applicant has revealed a former bankruptcy, a copy of the original bankruptcy petition and a copy of the discharge of the bankruptcy may be requested. Certain credit issues may require that the applicant write a personal letter of explanation for the file to address those prior issues.

If the loan being applied for is a Veteran's Administration (VA) loan, the lender will need to obtain a Certificate of Eligibility (COE) from the VA. This certificate simply means that the holder is eligible to apply for a VA loan; it does not guarantee the application will be approved. If the veteran or active duty service member or reservist does not have a COE, application for one must be made. VA now has a website for lenders to instantaneously obtain and print COE's for their VA applicants. The downfall of this VA website is that it produces a COE less than half the time. Apparently, VA has not yet added all eligible service personnel to their web's database.

When the instantaneous COE request fails, a written request or an online request must be made. This request must be accompanied by a veteran's DD214 form (evidence of prior honorable service, 181 days during peacetime or 90 days during wartime) or a Statement of Service for those still on active military or reservist duty. Discharged reservists would need documentation proving at least 6 years of honorable service. At present, VA's website states that there is a two to three week backlog of these written requests they haven't gotten to yet. So, if you'll need a COE, please go ahead with that request.

If income is claimed from alimony, child support, retirement, Social Security or disability, suitable documentation is also required. Whenever the word "divorce" is mentioned, it's automatic that a copy of the divorce decree will be needed. It's not that we're just nosy, divorce decrees often contain a wealth of information as to which party is responsible for certain debts and which party has to pay alimony and/or child support to the other and for how long.

If the applicant is self employed, two year's worth of personal tax returns will be needed. If the business is incorporated and the applicant has 10% or more ownership in the business, two years of corporate tax returns may be requested.

Persons being transferred from one location to another by their employer will need to provide a copy of the employer's transfer letter. Those in the military would be asked for a copy of their orders showing the change of duty station.

Information about the applicant's residence for the last two years will also need to be provided. If renting, the landlord's contact information will need to be provided to verify the prompt payment of rent. If the applicant owned a property during the last two years, the credit report will reflect the prior history of mortgage payments.

The applicant will also be asked to obtain a homeowner's insurance quote from their preferred insurance provider. If the applicant has a question as to the annual real estate taxes on a particular property, they should call the Tax Assessor's office or ask their Realtor.

Closing or down payment funds that are provided to an applicant by a relative or family member will need to be documented and a letter stating the funds are a true gift will be required. Funds that will come from the sale of an existing property will need to be documented with a copy of the HUD Settlement Statement from that sale.

So, if you're planning to buy or refinance your home, it would be a good idea to hold onto recent paystubs and bank statements. You might have to ask your significant other where the W-2's might be. You'll be one step ahead of the game if you show up at the initial loan interview with these things.

David Griffin has been financing homes in Macon, Warner Robins and all of Middle Georgia since 1983. He is a two-time past president of the Mortgage Bankers Association of Middle Georgia. For an archive of past articles visit www.davidjgriffin.com. (11/8/07)