

# The Mortgage Loan Process

*The mortgage process is easy to understand  
with this complete time line of events*



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Asset verifications. Credit reports. Insurance applications. Many home buyers may wonder where the loan process begins — and where it ends. To help make the process easy to understand, we've listed the basic steps involved in purchasing a home and the approximate time frame for each step. These time frames will vary depending on geographic location, the loan, the home buyer and the lending institution. The complete mortgage loan process takes about 45 days.

## Pre-purchase

(Occurs before the loan process begins.)

The real estate agent and the buyer begin the search for a suitable home. The buyer chooses a lending institution and may request pre-approval from the lender. The buyer also negotiates an offer to purchase or a sales contract. If the offer or sales contract is accepted by the seller, the buyer moves on to the application process.

## 1. Application

(Occurs between days 1 and 5)

The buyer (now called "borrower") completes a mortgage loan application with the lender. The borrower must supply:

- employers' names and addresses for the past two years
- financial institutions' names, addresses and account numbers for asset verification and all debts (installment and revolving)
- residency addresses for the past two years
- an offer to purchase

For a complete list of documents and information needed, ask your loan officer for a *Mortgage Loan Application Checklist*.

Within three days of application, the borrower receives a Truth-in-Lending disclosure which itemizes the approximate costs associated with applying for a loan.

## 2. Opening the file

(Occurs between days 3 and 10)

The lender orders a property appraisal and a credit report, mails out Verifications of Employment and Deposit (VOEs and VODs), and then waits for their return.

**The VOE:** Employers are asked to verify for each borrower the last two years of employment history and gross income, and state the probability of continued employment.

**The VOD:** Financial institutions are asked to verify the existence of each borrower's funds. The borrower must have at least 3%-5% of his or her own funds for the down payment, sufficient funds to close the loan and 2 months' reserves of principal, interest, taxes and insurance (PITI). All funds must have been on deposit for 60-90 days.

The lender asks the borrower if any gift funds were received. If yes, the lender must verify that the funds were taken from the donor and passed on to the borrower, usually via deposit slips. A copy of the gift letter must be in the loan file.

## 3. Processing

(Occurs between days 5 and 25)

The loan processor reviews the credit report and verifies the borrower's debt and payment histories as VOEs and VODs are returned. If there are any late payments, collections or judgments shown on the credit report, a written explanation is required from the borrower.

The loan processor also reviews the appraisal and checks to see if there are any property issues that may require additional comment by the appraiser. Any required repairs on the property are reported by the real estate agent and borrower/seller.

## 4. Lender underwriting

(Occurs between days 15 and 25)

The underwriter reviews the loan package to determine whether to approve the loan. If more information is needed to make a decision, the loan is put into suspense and information is requested from the borrower.

**It is very important that the borrower respond immediately to requests for additional information at this point in the loan process. If not, the borrower risks delays and the possible expiration of locked interest rates.**

## 5. Mortgage insurance underwriting

(Occurs between days 17 and 27)

If the borrower has less than a 20% down payment, the loan is submitted to a private mortgage guaranty insurer, such as MGIC. The loan is usually submitted at the same time the lender underwrites the loan.

The underwriter at the mortgage guaranty insurance company reviews the loan package. If approved, the loan goes back to the closing department of the lending institution for closing and final packaging. Most loans are approved in 24 hours or less. If more information is needed to make a decision, the loan is put into suspense and additional information is requested from the lender.

## 6. Pre-closing

(Occurs between days 17 and 27)

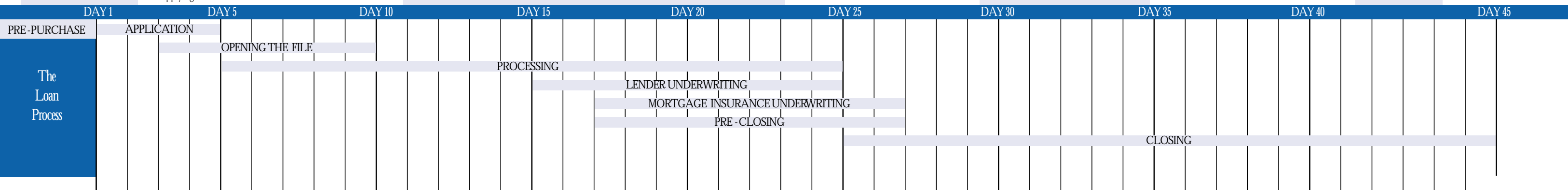
Once the loan is approved:

1. Title insurance is ordered;
2. Approval contingencies are met;
3. The closing is scheduled.

## 7. Closing

(Occurs between days 25 and 45)

Once the closing is scheduled, the borrower orders homeowner's insurance. At the closing, the borrower obtains his or her loan proceeds and presents a certified check to cover the balance of the down payment and the closing costs. The loan closes. The borrower moves into the new home.



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