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Union Title Chatterbox

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How to Wow Your Mortgage Lender

By Bankrite.com

It's not enough these days to have good credit and a steady job, as lenders are increasingly picky when it comes to loan approvals. Here's how to make the best impression.

Whether you're buying a home or refinancing an existing home loan, you'll soon find out that lenders today are a picky and demanding bunch when it comes to loan approvals. Even well-qualified borrowers are expected to jump through some pretty high hoops to qualify for financing.

But fear not: These tips and suggestions can help you make the best possible impression on the lender of your choice.

Just as job hunters may wonder what top employers want to see on a resume, prospective borrowers may be curious about what lenders look for on a loan application.

The four C's

The answer may be summed up with a mnemonic called "The four C's," according to Greg Gwizdz, national sales manager for Wells Fargo Home Mortgage in Des Moines, Iowa.

Capacity, which refers to the adequacy of the borrower's income to cover the interest and principal due on the loan, plus property taxes and homeowners insurance.

Character, which refers to the borrower's track record of paying debts, as evidenced by his or her credit history and credit score.

Capital, which refers to the borrower's down payment (or equity) as a percentage of the current value of the home.

Collateral, which refers to the safety and soundness of the home and the value of the home as determined by an appraisal relative to the agree-upon purchase price. Mike Mueller, a mortgage broker with Patagoina Finance in San Francisco, uses a quadrant with "income", "credit", "assets", and "property" in the four corners, but his point is the same as that of the four C's: Neither a high income nor an exemplary credit report alone is enough to make your loan application stand out. What lenders like to see is strength and stability in all four areas. "If you're strong in all four corners, you're on a chair," Mueller says. "That's pretty stable. In theory, I can take away one of the corners—maybe your credit score has some dings or you need a stated-income loan—but the other corners are still pretty solid, so you have a tripod. That's not as stable as a chair, but it will stand up. If you take away another corner, you have a ladder. Ladders don't work anymore."

Borrowers who are qualified but whose down payment will be less than 20% of the purchase price of the home must withstand a second level of scrutiny. That's because mortgage insurers also have to approve such loans, and they have "completely different qualification ratios," Mueller says. Borrowers in this situation should discuss their options with a loan officer who is familiar with lenders' and insurers' guidelines.

Have paperwork in order

Lenders rely not on the borrower's say-so, but on a pile of paperwork to verify and document the borrower's financial position. At a minimum, most borrowers are required to submit the following:

- One month of paycheck stubs.
- Two years of W-2 forms.
- Three months of bank account statements

Additional paperwork also may be required:

If you're self-employed or earn more than 25% of your income from commissions or bonuses, you'll need to hand over two years of income tax returns.

If you're divorced, the lender will want a copy of your settlement to ascertain how much alimony or child support you're obligated to pay or are entitled to receive and the duration of those payments.

If you've deferred repayment of student loans, you should provide your deferral agreement as well.

"If (borrowers) have student loans that are going to be deferred for at least 12 months, that may help them qualify, so they would want to bring the account numbers for those loans," says Candis Duke, national operations officer at Metrocities Mortgage in Sherman Oaks, Calif. Student loans are counted as debt, but deferral of repayment may strengthen the borrower's application.

No big changes after you apply

Well-qualified borrowers can still knock themselves out of the loan process if they violate certain rules, the most important of which is: Don't make any substantive changes to your financial position after your loan application is submitted.

Here are some more precautions for the wise:

Don't increase your debt burden. "The biggest error we see borrowers make is that they will file their application, they will be prequalified, they'll have picked out

their home, and they'll be all excited—and they'll go and buy furniture, cars, boats and they will ramp up their debt. And since credit is often rerun before closing, that additional debt now causes them not to qualify," Duke says.

Don't open new credit accounts, even just to transfer a credit card balance.

"If you transfer a balance to a new zero-interest card, your FICO score will drop because all of a sudden you have more credit," Mueller says.

Don't challenge the lender's requests for more documents.

Asking "Why do you want to know?" or refusing to provide certain documents may arouse suspicion that you have something to hide. Hand over as much documentation as possible at the start so your application can be considered quickly, Gwizdz says. Preverification is pointless because the lender's verification process will turn up whatever truths you've failed to disclose.

Don't float your interest rate unless you can afford higher monthly payment.

"If your rate isn't locked and rates go up, your debt-to-income ratio will change," Mueller says. Depending on the lender's guidelines, higher payments could prevent you from qualifying for the loan for which you'd applied.

Don't change your employment.

"Right before closing, every lender verifies that the borrower is still employed in the same position," Duke says. A job change is less likely to derail your loan if you stay in the same industry, expect to earn at least as much income and don't have a gap between jobs.

Don't delay payment of your bill or rent.

Paying what you owe is important, but it's not enough. You may also have to pay on time, Gwizdz says. Rent doesn't show up on your credit report, but most lenders will check with your landlord because rent payments are a good indication of how reliably you'll pay your mortgage.

Don't skip mortgage payments.

Some homeowners don't bother to make what they believe will be their last payment on their existing mortgage, because they know that they will be paid off when they sell their home or refinance that loan. That's a huge mistake, Duke says, because the late payment can destroy your credit score. If you need to refinance an ARM that's scheduled to reset, try to apply for your new loan at least 30 days before the reset takes effect to avoid the higher payments.

Don't overextend yourself.

If your monthly rent is \$1,000.00 but your mortgage payment will be \$3,000.00, that's a huge payment shock, Gwizdz says. All else being equal, your loan is more likely to be approved if the increase in your monthly housing cost is more modest.

UTC Cooking Corner (favorite recipes from Union Title employees)

Spaghetti Sauce Recipe

Submitted by: *Trina Brown*

Ingredients:

8 cups of garden tomatoes
2 cloves of garlic
1/2 cup minced onion
1 tsp. salt
1 tsp. basil
1/2 cup water
15 oz. can of Hunts tomato sauce
Dash of sugar (optional)
Splash of red wine (optional)



Directions: To prepare tomatoes for sauce, first heat a pot of boiling water. Carefully dunk the tomatoes in and remove in 1 minute. Put the tomatoes in a bowl of ice water. The skins will slide off easily. Cut the tomatoes in half and squeeze out the excess water and seeds. Place tomatoes in a large pot. Add the tomato sauce, garlic, onion, salt, basil and water. Simmer for 2 hours. Taste the sauce and add more ingredients to taste, such as the sugar and red wine. Stir the sauce occasionally to insure the tomatoes are breaking up and sauce has thickened. Put in containers and freeze.

This recipe helps use up all the tomatoes that are picked from your garden!

**"Leadership: The art of getting someone else to do something you want done because he wants to do it."
-Dwight D. Eisenhower**

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Again, thank you for your business and we look forward to seeing you again in the future!!

Sincerely,

The staff at Union Title Company, LLC