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## THE LOAN PROCESS

“CAN’T WE ALL JUST GET A LOAN?”

### **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 produce different results, so be sure to get a pre-qualification for each type of program for which you are suited.

### **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.

### **Verifications**

As soon as the borrower finds the home of their choice, verifications will usually be ordered. This paperwork often consists of a VOD (verification of deposit/funds), VOE (verification of employment), appraisal, preliminary title report, and escrow paperwork.

### **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 verifications are returned. If there are unacceptable late payments, collections for a judgment, etc., a written explanation may be required from the borrower. The processor also reviews the appraisal and checks for property issues that may require further examination. 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 or not the loan package is complete enough to warrant a home loan. If more information is needed, the loan officer is contacted and the borrower may be asked to supply further documentation.

### **Mortgage Insurance**

Mortgage insurance underwriting occurs when the borrower has less than 20% of the loan amount to put towards the 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 officer is contacted. Otherwise, the loan package is returned to the mortgage company (usually within 48-72 hours) for pre-closing.

### **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. When all contingencies have been removed, the borrower will be contacted to sign final loan documents (loan docs.)

### **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.