

10 steps to the Home Loan Application Process

The home loan application process is generally the same regardless of whether you are applying for a loan which will be used for the purchase of a property or for the refinance of a current home mortgage. The overall duration of the process is anywhere from three to five weeks depending on the circumstances of your transaction, the type of financing you may be applying for (government financing can take longer than conventional), and the current work loads of the lenders, appraisers, and title companies.

To provide some insight into this process, we have listed below a brief description of the mortgage lending process from the start (application) to the finish (funding).

1. Completing the Loan Application

The loan application starts with an interview between the broker and the borrower. A loan application will gather all the pertinent personal information from the borrower so the broker will have the most information available to make a decision on which loan programs will best fit the borrower's financing needs. At this time the broker may ask the borrower for his/her personal documentation such as w2's, pay stubs, bank statements, etc. as well as check the borrower's credit history.

2. Disclosures, Disclosures and More Disclosures

Within three business day's receipt of the loan application the mortgage broker along with any lender, is required by law to mail a mortgage loan disclosure statement and any other pertinent disclosures to the loan applicant. When applying for a mortgage, we will send you a set of standard loan disclosures in the application package as well as during the loan process when we submit your loan to a lender and when we lock in your interest rate. You will also be receiving disclosure packages from all lenders who have received your loan application. Given the nature of these disclosure packages, any and all of the information may not be accurate in comparison to the information provided by the broker. In all circumstances, if you have any questions please address them with your mortgage professional.

3. Ordering a Title Report and Appraisal Report

Once the borrower has returned the signed loan application and disclosures and all of the documentation requested, the broker will order a title report with a local escrow and title company. The escrow and title company will act as a neutral third party to the transaction providing a title history on the borrower's property, holding and disbursing funds, and ensuring the borrower's and lender's protection during the transaction. At the time the broker orders the title report he/she will also, at the approval and convenience of the borrower, order the appraisal of the borrower's property. An appraisal is a report performed by a state licensed appraiser to determine the current market value of the borrower's property.

4. Verification, Research and File Preparation

After the broker has received a preliminary title report and appraisal on the borrower's property he will review these reports along with the borrower's personal documentation and verify all the information he has received. The broker will then research the best lender programs available according to borrower's particular financing goals and/or needs. At this time the broker may request further information or documentation from the borrower if needed.

5. Loan Submission

Once all of the borrower's information is gathered, and all reports on the borrower's property have been received, and the loan file is fully prepared the broker will submit or send the file to one or several lenders offering the programs that best suit the financial needs of the borrower. Please note: at this time the borrower may receive a disclosure package from the various lenders to whom the broker has submitted the credit application: PLEASE DISREGARD THIS INFORMATION, IT MAY BE INACCURATE INFORMATION.

6. Loan Approval

Loan approval generally takes anywhere from 3 to 5 days depending on the lender and the purpose of the loan, whether it is for a refinance or a purchase. Usually the broker will receive a Notice of Loan Approval with certain additional conditions that must be cleared before the lender will allow the loan closing to be scheduled. At this time the broker will contact the borrower and notify him/her of the loan approval and the conditions of approval. The borrower may have to provide more documentation to clear the conditions of approval.

7. Interest Rate Lock-in

A "rate lock" is an agreement between BOTH you, as the borrower, and the lender and serves to specify the number of days for which a loan's interest rate and points will be guaranteed by the lender. Should interest rates rise and you have met all of your conditions the lender is then obligated to honor the rate that they have locked on your behalf. Should interest rates decrease the lock must still be honored by you, but most lenders usually allow for you to renegotiate your interest rate if this occurs. You can lock a rate once your application package has been returned and reviewed.

8. Scheduling of the Loan Closing

Within 1 to 3 days after all of the conditions required by the loan approval have been cleared by the lender, the broker will schedule the loan closing. This means that the broker will order the final loan documents (note, deed of trust, and all other loan disclosures) from the lender and schedule an appointment with the borrower to sign the loan documents and other closing papers. At this time, if needed, the borrowers are informed of any money that may be due at closing. Payment, if required, is usually made by a cashier's check.

9. Funding of the Loan

Once the loan documents have been signed by the borrowers they are returned to the lender who reviews the loan funding package. If all forms have been properly executed the lender will fund the loan amount and wire the proceeds to the title company.

10. Recording

Our final step, upon receipt of the loan funds, the escrow company handling your transaction will record the new deed of trust securing the new loan against the borrower's property. All deeds signed will be recorded ensuring the transfer of the property into the buyer's name. The recording of the deeds is the final step in the loan process and the official close of the escrow.

Please keep in mind that there are many steps and many different parties involved in the mortgage lending process, but it is the duty of your mortgage broker to keep you and any other third parties – including real estate agents, title companies, and others - informed of the current status of your application through every step of the transaction. So, if at anytime during the application process you require assistance please do not hesitate to contact our office as anyone of our staff will be available to assist your needs.