1100 Coddingtown Center Ste 1
Santa Rosa CA 95401
(707) 571-2008 (off.)
(707) 571-1182 (fax)
(800) 974-2008 (toll free)

The Loan Process

Prequalification

You will be required to be prequalified for your home loan. This is an interviewing and analyzing process done by the loan agent that determines whether your income and credit can meet the requirements set up by the lender. A Prequal lettr is sent to the seller on your behalf stating that based on the belief that you have filled out your application factually and you have a good credit report, you can qualify for your loan. This letter is conditioned that all the information you have supplied can be verified. The first level of prequalification can be accomplished within 2 - 24 hours.

The 2nd level of prequalification (more often referred to as the Credit Approval Status) is when the lender has approved you as meeting their requirements. This is accomplished when all verifications and necessary documentation have been submitted to the lender and have been analyzed. This level is more in depth and is completed when the lender and the lender's insuring company have approved you. (Verifications and credit reports need to be updated after 90 days. In the event that your home is not completed within that period of time, we will resubmit all verifications to keep than current to meet the lender's requirements. You may incur the expense of an additional credit report.)

Three Steps of the Loan Process

1. APPLICATION - The borrower's statement and presentation of all facts required by the lender (foundation on which the file is submitted to the lender)

A. List of basic required documentation
1. Completed Application
2. 2 years tax returns and W-2's
3. Current and 2 years 1099's and Profit and Loss statements if self employed.
4. Payroll stubs showing last 30 days.
5. Proof of all sources of income (ie; rentals, alimony, child support, investment income, retirement, or social security)
6. If your home is under construction there may be additional documentation.
7. Purchase agreement if you have selected your new home.

2. PROCESSING - Document gathering and investigation process to build your file. (This takes approximately 2 weeks after the loan agent receives the application and all necessary documentation)

A. Order Credit Report
  1. Note: We will work with you to update this report
B. Order Preliminary Title Report
C. Verify statements you made on application
  1. Writing to your employer to verify your job status and income.
  2. Contact your bank(s), savings, investments, etc. to verify the balances in your asset accounts.
D. Order the appraisal (Timed according to the final stages of closing your loan)
E. Obtain any documentation that is special to your circumstances.
1. Divorce papers
2. Financial statements if self employed
3. Required letters of explanation
4. Etc. (ie; legal documentation, proof of payment, financial tracking)
F. Submit your file, meeting all requirements, to the lender.

3. UNDERWRITING AND SUBMISSION - Presenting your completed loan package to the lender. This is the first stage of analysis to determine the approval or rejection of your loan based on established guidelines for specific programs under which you applied. (Thoroughly processed application and well presented package)

A. Approval and underwriting time (Lender, Investor, and MI approval)
  1. Underwriting 2-3 days
  2. Jumbo loan 2-5 days
B. Most lenders impose some conditions. Allow time to satisfy and remove these conditions.
C. Doc Prep (Preparation of all legal documents)
G. 2 days for Doc Prep
D. Escrow prepares escrow instructions and settlement statements for signatures (2 days)
E. Funding - back to lender's funding department review and final approval (36-48 hours)

1100 Coddingtown Center Ste 1
Santa Rosa CA 95401

(707) 571-2008 (off.)
(707) 571-1182 (fax)
(800) 974-2008 (toll free)

Terms and Definitions

Amortization (Also see Negative Amortization) The calculation used to determine the amount of equal principal and interest payments needed to pay off a loan within a certain specified period of time. Most first mortgages are amortized over 15 - 30 years.

Annual Percentage Rate (APR) The total amount of the finance charge--including interest, points and all loan fees (ie; escrow, processing, etc.) - calculated as a percentage of the borrowed amount and expressed as an early rate.

Application Fee This is the fee which may be charged by the lender to cover the costs of processing your loan application. It is usually charged at the beginning of the loan process.

Appraisal An estimate of the fair market value of a property prepared by a qualified real estate appraiser.

Appraisal Fee The fee you have to pay to have a property appraised.
Assumption Fee The fee you pay the lender in order to assume someone else's mortgage loan.

Assumability (Assumption of a mortgage or Assumption of a Deed of Trust) Agreement by a buyer to assume liability under an existing agreement between seller and lender. Not all loans or loan terms are "Assumable". The lender typically must approve the new borrower.

Caps (See Rate Caps and Payment Caps)

Conveyance 1)Transfer of Title 2) The document, such as a deed, by which title is officially transferred.

Deed of Trust (or Trust Deed) This instrument is used in place of a mortgage in some states. Title is transferred to a trustee by the borrower, with the lender as beneficiary until the loan balance has been paid.

Escrow 1)The temporary holding by a neutral third party of deposited funds and documents pending the completion of agreed-upon terms in a sales contract. 2) In some states, all instruments necessary to the are delivered to a third party along with instructions as to their use. 3) The term "in escrow" is used in some areas to refer to the time from the completion of the sales contract to the actual transfer to title. Escrow fees are usually considered part of your closing costs.

Escrow Account see "impound account"

Ecsrow Company A company established to provide all escrow services. Equity The market value of a property minus the total amount of any existing liens.

Factor see "margins"

Hazard Insurance Protection for the borrower and the lender against property loss due to fire, wind or natural hazards. Many lenders require payment of the first year's premium as a closing cost.

Impound Account (also called Escrow Account in some states) This is an account held by the lender for payment of taxes, insurance and other periodic debts against a property. The borrower pays a specific amount over and above the monthly loan payment, and the lender pays the bills with the accumulated funds. Some lenders require an impound account for certain types of financing.

Index a published interest rate composite used by lenders. It's movements determining interest adjustments on adjustable rate loans.

Loan to Value (LTV) Ratio The amount of the loan as a percentage of the property's appraised value. An 80% loan for example, is determined by subtracting a 20% down payment from the property's appraised value.

Lien A claim against a property in satisfaction of a deed. It can be voluntary (such as a mortgage) or involuntary (such as a lien for back taxes)

Margin The margin is the difference between the ARM index and the rate lender charges. Example: an index rate of 8% plus a margin of 2.5% could result in a home loan rate of 10.5%. in some areas, the margin is referred to as the factor. The fixed margin over the index covers the lenders operating expenses and profit margin.

Market Value The current value of real estate that a buyer is willing to pay and a lender is willing to accept.

Mortgage A mortgage is evidence of the security for a loan. It is the document, signed by the borrower, which gives the lender the right to the property if the borrower fails to live up to the loan arrangement.

Negative Amortization (Also see "Amortization") This happens when the minimum monthly payment on an adjustable rate mortgage is no longer large enough to cover the full amount of interest that is due. The difference between interest owed and interest paid may then be added to the loan's principal balance, at the option of the buyer.

Origination Fee(s) (Also see "Points") Also called a Loan Fee, this is a fee assessed by the lender for processing the loan. Most lenders charges are based upon the amount of the loan, and one point equals one percent of the loan amount. These fees are normally paid by the seller or shared by both parties. Also, the lender may allow these charges to be deducted from the mortgage amount.

Payment Cap This cap places an annual limit on the amount that a monthly payment can increase. This feature is offered by some ARM lenders instead of an annual interest rate cap.

Point(s) One point equals one percent of the loan amount (See Origination Fee(s))

Prepayment Penalty Some lenders may charge this fee if the loan is prepaid prior to maturity.

Private Mortgage Insurance (PMI) This is the mortgage default insurance designed to pay the lender a portion of the outstanding balance of a loan in the event that the homeowner defaults. PMI may be required on certain types of loans. If so, the initial premium is usually one of the closing costs, usually subsequent payments are included in the borrowers monthly payments. Usually applies to loans with only 10% down.

Rate Cap The rate cap defines rate limits, either from one adjustment period to the next or over the life of the loan.

Recording and Transfer Fees These are the charges for recording documents with public agencies. These may also be included in the borrowers closing costs. A document tax is charged in some states on real estate transactions.

Refinance The securing of a new loan either to pay off an existing lien or mortgage on the property or to access your equity.

Survey This may be required by the title company to insure that the house is properly situated on the property. A survey is intended to reveal if the house, fence, pool, or patio are built on or too near adjoining property or utility easements. Fees, if any, are normally paid by the borrower.

Title Ownership or proof of ownership to real property

Title Company (See Title Insurance) A company which issues title insurance. In some areas, title companies also perform escrow functions.

Title Insurance Protection against the consequences of pre-existing lien or encumbrance on a property that might be discovered after a change in ownership.

Trust Deed see "Deed of Trust"

Underwriting These are the standards set by the lender which the borrower must meet in order to qualify for the loan.