



LENDING 101 - PART 2

Getting Started with the Mortgage Process

Once you've selected your financing provider, the next step is pre-qualification. This section of the course will cover what pre-qualification is, plus what types of information or documentation you'll need to provide and why.

Speaking the Language

As you progress through the course, make sure you understand these key terms:

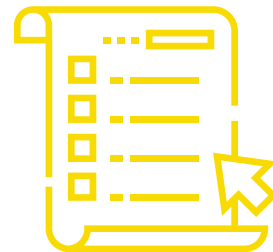


- **Pre-qualification:** An application to collect information and get a whole picture of your finances
- **Pre-approval:** A stronger step beyond pre-qualification, it authorizes your maximum loan amount or payment

What is pre-qualification?

Essentially, this is the loan officer trying to see a whole picture of your finances and your ability to make mortgage payments. It can be a verbal, in-person, or online application that gathers basic information, including:

- Where you've lived the last two years
- Where you've worked the last two years
- Income and asset information
- Declarations regarding personal finance*



NOTE:

Pre-qualification is different from pre-approval. Pre-approval is stronger and means you are further along in the process. We'll cover that in the next section of the course.

**The declarations referred to on the previous page can include questions about:*



- Judgments or lawsuits
- An obligation to pay child support or alimony
- Bankruptcies or foreclosures
- Additional properties that you may have had ownership in or continue to have ownership in

What you'll need to provide

This step in the process mostly involves you providing a variety of documentation. The basics are listed on the left, and on the right are some additional requirements for self-employed borrowers:

BASIC DOCUMENTATION

- 30 days of paycheck stubs
- W-2's from past 2 years
- Tax returns from past 2 years
- Federal ID
- Work authorization documentation
- Social security card (occasionally)

ADDITIONAL DOCUMENTATION

- Business & personal tax returns
- Profit & loss statement
- A balance sheet
- 3 months of business bank statements (in addition to 2 months of personal account statements)

It's helpful to provide a year-to-date total of bonus income, overtime income, and any income over and above your base salary or hourly rate. If you can get the information for the prior year as well, that's even better.



“What I see a lot as a loan officer is that people's idea of what they make is different than what we can use in mortgage finance. Often, they'll provide their highest commission amount or highest bonus amount they've received. Typically, for any income that's variable, we must do a two-year average.”



ADDITIONAL ASSETS

In addition to knowing you have the funds for down payment and closing costs, lenders look favorably upon having additional assets. This would mean money in the bank for future mortgage payments and an ability to pay in case of hardship.

It's helpful to show or speak to your loan officer about 401(k) or IRA information or stock brokerage accounts.

BEYOND THE BASICS

Depending on your circumstances, here a few more things you may need to show:

- Divorce decrees
- Military service records (DD214) or certificate of eligibility (for a VA loans)
- Inheritance documents
- Notes or trust information

The more accurate and detailed you are, the easier the loan process will be, and you won't see as many changes from your pre-qualification to pre-approval.

RETIREMENT ACCOUNTS

If you're using retirement accounts to qualify for the loan, or for down payment or reserve funds, you will need to provide terms of withdrawal. Employers and benefits departments all have different limitations, requirements for loans or requirements for a hardship withdrawal.

NOTE:

It may take several weeks to access retirement funds. Once under contract, submit whatever paperwork is needed to borrow or remove those funds as early as possible in your home loan process.

What We've Learned



Now that you have read through this section of the course, you should understand:

- What pre-qualification is, and that it is different from pre-approval
- What type of information loan officers want, and why
- The various documents you'll need to provide
- What to provide to show additional assets or special circumstances
- The extra considerations when using retirement accounts

Check the box for which of the following you should be prepared to show for your particular scenario. If you're not sure of the answer, ask your loan officer!

I'm not sure!	YES	NO	DOCUMENTATION
			401k or IRA information
			Bank account statements
			Address of home you want to buy
			Inheritance Documents
			Bankruptcies or Foreclosures
			Commission & Bonus Information
			Profit & Loss Statement
			Residential and Work History
			30 Days of Pay Stubs
			Social Security Card
			Tax returns
			DD-214 or Certificate of Eligibility
			Alimony or Child Support Obligations
			W-2s

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