POLYGON MORTGAGE

You can assume these people are well trained and very experienced, as they are tasked with assembling and approving a high-quality-these-people-will-pay-us-back loan file. But just how do they go about that?

The process begins with the loan originator (a.k.a loan officer, mortgage consultant, mortgage adviser, etc.) – tasked to match the qualifications of a particular mortgage deal to the appropriate underwriting guidelines. It is their job to determine if a loan scenario is approvable and to gather the documentation to support that determination. It is here, at the beginning of the approval process, where the deal is made or broken. The rest of the approval process is just papering the file.

They help determine whether the information provided by the borrower can be validated and documented. This is simple, since most mortgages are approved by automated underwriting engines such as Desktop Underwriter, and the automated approval generates a list of the documents needed to paper the loan file. An underwriter can, at this stage, request additional supporting documentation evidence at their discretion, as not all circumstances neatly fit into the prescribed underwriting box. If the filter creates a loan file with accurate information, then secures the documentation resulting from the automated underwriting findings, the loan will close uneventfully.

So, let's begin with the pre-approval call. Mortgage pre-approval is typically accomplished with a telephone interview. A prospective borrower calls a mortgage rep (filter), and the questions begin. There will be lots of questions as this critical phase of the process is akin to the discovery period in a trial – you'll need to disclose everything. Expect to answer queries on what you do for a living, how long you've been employed in your current field, and what your salary is. If there is a co-borrower, they will have to answer the same questions.

Every dollar in checking, savings, investments and retirement accounts, also known as assets to close, as well as gifts from relatives and non-profit grants, has to be accounted for. Essentially everything appearing on a borrower's asset-radar-screen has to be documented and explained.

If you were previously a homeowner and sold your home in a short sale, or if you own a home now and plan to keep it as an investment or rental property, there are new and specific underwriting guidelines created just for you. In these cases, full disclosure of your credit and homeownership past can potentially eliminate unforeseen issues. For instance, FannieMae has a new underwriting guideline called "Buy-and-Bail," for current homeowners' planning on keeping their existing home as an investment/rental property. Properties not meeting the 30% equity test for "Buy-and-Bail" result in additional asset requirements to purchase a new home. Buyers with a short sale history may have to wait two to three years before they are eligible for mortgage financing again. Full vetting of your previous mortgage life will save you the dreaded we-have-a-problem call from your mortgage lender.

It all comes down to your proof. If the lender asks for a specific document, give them exactly what they are asking for, not what "should be OK," – because it won't be. This is where the approval process tends to go off the rails, when the lender asks for specific documentation and the borrower supplies something else. Here, too, is where both sides get frustrated. So if the lender asks for a bank statement and there are 5 pages for that bank statement, send them all 5 pages, and not just the summary. If you send them the summary page and they ask again, don't complain that the lender keeps asking for the same thing when you never sent it in the first place. This may sound elementary, but the vast majority of mortgage approval process woes stem from scenarios just like this.

The reason the mortgage approval process is now so rigorous is simple. Avoiding defaults and loan buybacks has become the primary goal of mortgage lenders. Higher standards are reducing loan defaults, which should mean fewer foreclosures in the future.

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