



How Does the Mortgage Application Process Work? Part IV

This is the last part in an article series about the ins and outs of the mortgage application process. The first three articles detailed everything from shopping around for a mortgage lender to the application interview and pre-approval to the actual information required on an application. This article reviews what happens to your application after it is submitted to the lender.

Loan Processing

When you sign the paperwork and turn your completed loan application in, the loan officer or broker gives your application loan application to the processing department. This division is responsible for ordering your credit report and the property appraisal as well as any other needed reports. They will send out Verification of Employment and Deposit forms to your employer(s) and your banks to make sure your information was correct as you provided.

Your loan application also comes to the hands of an underwriter. This is the person who decides, based upon your qualifications, whether or not you will be approved for mortgage funding. He or she is charged with determining whether a loan to you would be a sound investment on the part of the bank or lender. The loan processing generally takes between 30 and 60 days, although some lenders may be able to let you know sooner if your request is approved.

There are two important documents that the lender is required to send or give to you within three days of the loan being completed. The first is a Good Faith estimate which details what you will be charged in closing costs. This includes origination fees, mortgage insurance, title and hazard insurance, escrow fees, and any other settlement-related fees.

The second document is a copy of the Truth in Lending Disclosure statement. This is a more comprehensive listing of the costs associated with your loan. It will give you an estimate of your monthly mortgage payment as well as a description of the APR or annual percentage rate. The APR takes into account both the interest rate on your loan and any points or settlement costs you will pay. It gives a more accurate picture of what the loan will cost you and will usually be a rate somewhat higher than your interest rate.

Acceptance

If your loan is approved, the lender will provide you will a commitment letter. You should read this over carefully as it will spell out all the terms and conditions of the loan offer. You accept the loan by signing the commitment form and returning it to your lender within 5-10 days. You will then have the funding you need to finish the home purchase.

Denial

If your application is denied, the lender is required by federal law to give you a written statement making clear the reasons why it was denied. The most common denial factors include not having a sufficient down payment or having a poor credit history. Often loans are



denied because the house appraisal found that the property was not worth the price that the seller is asking for it. Be sure to discuss with your lender any options you have and things you can do to create an acceptable application.