

310.465.0800

Info@MalagaFunding.com

MALAGA FUNDING, Inc.

Rules of Thumb

Communication, Preparation, and Prevention of Common Errs

Be honest with your Loan Officer. Mortgage fraud is a federal crime punishable by imprisonment and substantial financial penalties. Omissions result in late discovery and usually a denial. You may have “heard” through the grapevine that “you can’t get a loan if....” which could either very well be a myth, or an easy fix by restructuring your loan. If you cannot close in time, you risk losing your earnest money deposit into Escrow, any fees paid for a home inspection or an appraisal, your rate lock may expire, and it is usually at a cost to extend the expiration date. It is our job to find the Lender that offers programs that fit your circumstance, so it is important to be upfront.

What have you been up to for the past 2 Years? Lenders want to know what you have done and where you have been during the last two years of your life, sometimes longer if reported or recorded details are unveiled. Where did you live and work? How much money did you make, save, or lose? How did you manage your debts? Foreclosures, Bankruptcies, Judgments, Liens, Collections, Child Support, etc will come to light, and it is usually at the end. Try obtaining a Satisfaction of Judgment from the State, County or Child Support Services a day before your lock expires. Again, be forthcoming with your Loan Agent from the start so these complications can be handled sooner than later.

A thorough Loan Application eliminates questions that lead to more questions. Complete all Employment history covering the last 2 years on the loan application. Include the name of the company, address, phone number, position and dates of employment. Any gaps in employment will need a written explanation. Complete the asset section on the loan application. Include the name of the bank name, account number, and ending balance. Any large, non payroll deposits will need to be explained and sourced. Complete the Real Estate Owned section including market value, mortgage balances, monthly payments and taxes, insurance (walls-in insurance and home owners association dues, if applicable) for each property owned. All inquiries and derogatory accounts on your credit report are considered and must be explained. Common fields left blank on the loan application are on Page 1: a. Year acquired, b. Original Cost, c. Number of dependents claimed on your taxes, and d. their ages. On Page 3: a. vehicles and fair market value, b. personal property.

Respond promptly to any requests for additional documentation especially if your rate is locked or if your loan is to close by a certain date. Your loan processor will verify the information provided and notify you if further explanation or documentation is necessary. If additional items are requested, your timely cooperation is important in expediting the application process and accomplishing a successful closing.

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Do not quit your job or schedule a voluntary surgery requiring you to go on disability. Lenders verify your employment status within 24 hours of funding your loan. Changes in professional field, lost security of longevity and stability to a probationary period status, reason for leaving previous employer or decrease in monthly earnings are risk factors for Lenders that could change an Underwriting decision from funding to denial.

Chasing your own assets. Lenders require borrowers to verify their assets by providing two or three months of bank statements. You must paper trail every large deposit and non payroll transaction appearing on your bank statements. Discuss your down payment with your Loan Agent at the application stage. Contact our office before you make irregular deposits, or if anything changes along the way. If possible, avoid making large deposits or transferring your money between accounts three months prior to applying for a mortgage. Ideally you will have the source of your Earnest Deposit and Funds to Close arranged prior to house hunting. If you are receiving Gift Funds from an immediate family member, your Loan Agent can provide a Gift Letter for the Donor to sign and return with a copy of their bank statement verifying ability to gift. Non-Liquid assets that will be liquidated in order to close your transaction require "Withdrawal Rules" or verbiage from the issuing institution regarding its terms, penalties or fees associated with withdrawals. Of course, you will need to paper trail the withdrawal from the non-liquid account into your Escrow account.

Do not buy a new car during a real estate transaction. Avoid making any major purchases or open new credit accounts until your loan has closed. Large increases in credit card balances and credit inquiries can have an adverse impact on your credit profile and it could prevent your loan from closing escrow. Lenders may pull a new credit report right before funding. You may not qualify for the program you have applied if recent inquiries decrease your FICO score below the minimum guideline requirement. If you have acquired new debt, you may be denied for a debt to income ratio exceeding guidelines to qualify.

You can vacation the other 320+ days of the year. Vacations preferably should be scheduled either before or after a real estate transaction. It is understandable that untimely escrows happen sometimes when you booked your vacation a year ago. If you travel for work, inform your Loan Officer of your availability. In the event you cannot be present at the Signing Appointment, you should assign a Power of Attorney beforehand to sign the Closing Documents on your behalf. Execute the Power of Attorney two weeks prior to signing Loan Documents to allow the Lender and Title Company time to approve it.

