

Important Change To The Loan Approval Process

The New Mortgage Approval Process



Loan applicants will now have their credit reports pulled and reevaluated just days before closing due to a new initiative by FANNIE MAE. Depending upon the new findings, loans may then be subject to delays, loan pricing changes or outright denial. It is more important than ever to maintain a good credit score and not run up existing credit or open new credit lines prior to closing.

The Loan Quality Initiative is FANNIE MAE's response to the foreclosure surge of 2007. The program shifts the onus of mortgage guideline compliance away from the government backed group and to the individual lenders responsible for making loans. Lenders must now verify that an applicant's credit profile did not change while the loan was in underwriting. If the profile did change, FANNIE MAE might then refuse to buy the loan. To make sure that the loan is saleable to FANNIE MAE, lenders will look for evidence of any of the following events occurring while the loan was being underwritten:

- Did the applicant apply for new credit cards?
- Did the applicant run up existing credit cards?
- Did the applicant finance a car or other major purchase?

Therefore, buyers must be extra careful with their credit between the date of application and the date of closing. If you must buy something big, consider paying cash. Anything that goes on a credit card can be used against you as grounds for revoking your approval, even if your loan is cleared-to-close.



Michael DelVecchio
Branch Manager
303-947-5147
mdelvecchio@bancgroup.org



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