

Summary Lesson 5

Major points learned in the lesson:

- Prequalifying is an essential step that either a lender or a housing counselor can work with you to accomplish. Because the loan application process is lengthy and costly, prequalifying can help you become mortgage-ready by identifying and removing any obstacles.
- When trust property is involved, the first step to be taken upon approaching mortgage readiness is to order a TSR from the BIA Land Titles and Records Office.
- A purchase and sales contract are the foundation for the home purchase and should be carefully drafted to include various contingencies, such as:
 - financial (loan terms, down payment assistance, loan approval)
 - inspection
 - what stays
 - final walk-through
 - problem-solving
- The loan application process is time-sensitive and includes the following steps:
 - Step One: Formal Application
 - Step Two: Application Processing
 - Step Three: Loan Decision
 - Step Four: Loan Commitment Letter
 - Step Five: Closing
- It is important to provide complete and accurate information to the lender during the loan application process.
- Various forms will need to be signed authorizing information regarding your employment, bank deposit, loans, etc. to be released to the lender.
- The loan decision will be made through the underwriting process that will thoroughly examine all your personal financial information as well as property information. Underwriters rely on information provided by the appraiser, the purchase and sales contract, and the land documentation, as well as your credit, income, employment, and rental payment history information provided by you and other sources.
- Loan decisions are based on various factors. When a borrower does not meet specific criteria, existing compensating factors may be considered to make the loan decision.
- When a loan application is rejected, the applicant has the right to obtain from the lender the basis for denial.
- Predatory lenders often target low- and moderate-income people, people of color, and the elderly. They especially prey on those who are unaware of their rights in the loan application process or who are frustrated by the process. Knowing what to look for when applying for a loan is vital to making sure that you do not get taken advantage of by a predatory lender.