JOE ADAMAITIS

Presents

“The Five Step Mortgage Plan”

(From the Newly Published Book, “Don’t Be Denied”)

Introduction

In today’s strict lending environment, you need to prepare a plan. Whether it’s to rebuild your credit from a short-sale, foreclosure, bankruptcy or loan modification or to purchase the dream home you are seeking, attending the “Rebuild Your Dreams Tour” with Bob Massi and Friends can help you take the first steps in rebuilding your dreams to own a home.

The following guide has been prepared to help you understand what will be required during the actual mortgage process and what steps you need to take prior to requesting a loan.

It is critical to understand that the entire lending industry has undergone a complete makeover in response to the housing meltdown causing new regulations to be imposed upon lenders and therefore the consumer. In addition, it is imperative that you are aware of the immense pressure being put upon lenders for what’s known as “Loan Repurchases” as well to understand how the onslaught of regulatory errors overseen by the new government agency, The Consumer Finance Protection Bureau, (CFPB) are affecting the consumer.

NOTE: The CFPB was formed due to the Dodd/Frank bill that was passed by the Obama Administration in 2010 in response to the colossal failure of banks and lenders to rein in fraud and abuse. However, this new agency is unaccountable to anyone in government and is comprised of personnel who have little to any knowledge or experience with lending. While their intentions may be truly noble and justified, they have cast the lending world into chaos which has trickled down to the consumer.

Loan Repurchases are also a result of the housing crisis and pressure from the CFPB to insure lenders do not make loans to those who cannot afford the payments. Loans are now meticulously scrutinized by Fannie Mae and Freddie Mac who upon finding something as small as a missing signature or documentation can require a loan to be repurchased by the lender. Fannie Mae and Freddie Mac have put immense pressure on lenders to get it exactly right or pay cash to buy the loan back from them. This one issue has put large targets on the backs of all lenders and in response they will ask for every imaginable piece of evidence to support your qualifications for a loan. Once again the pressure to insure against a bad loan has trickled down to the consumer.

Now that you have a general idea of what's going on behind the scenes, let's begin preparing to insure your loan is a success submission and will avoid any issues in the process.

I wish you the best on your journey to home ownership!

Sincerely,

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THE FIVE STEPS

Step I……………………………………..…………..…………… Obtain a credit report

Step II…………………………………...……………....Contact a reputable loan officer

Step III…………………………………..Review/analyze the report with your loan officer

Step IV...……………………………....Organize personal documents for loan application

Step V……………………………………………………...Understand the loan process

THE MOST COMMON MISTAKES WHICH CAUSE A LOAN TO BE DENIED ……

The final part of this presentation is designed to help you identify problems before they happen.

Step 1

Obtaining Your Credit Report & What You Need To Know

The following information from the FTC and other agencies is the most up-to-date and legitimate info you can rely upon. The Federal Trade Commission oversees the credit agencies and creates rules and regulations by which lenders, creditors, and the reporting agencies (Experian, Equifax, and Trans-Union) must abide by.

The following information will help you:

1. Receive a “free credit report”
2. Learn about scam or “imposter websites”
3. Learn how to report inaccuracies
4. Identify who else can receive a copy of your credit report
5. Know where to send any complaints or questions on your credit report
6. Learn “what’s in your credit score”
7. Example of how a Short-sale can affect your credit score
8. Understand how long it takes to become eligible for mortgage financing

Step 2

Contact a Reputable Loan Officer

Notice I did not say Lender. This was intentional as in my own opinion, you want a solid loan officer who has been in the business and wants to work with soon-to-be buyers. Large banks are not the choice in this case as their loan officers are (i) focused on internal clients, (ii) trained to focus on more than housing, and (iii) you will be a number amongst millions and will not receive the personal attention this step of the process requires. Your best choice in this case will be a community bank, an independent mortgage banker with in-house processing and local underwriting, and or a well established and organized mortgage broker who you can research.

Once you have contacted the loan officer, be sure to have all informational available for him/her to review. If you have pulled your own credit report bring it with you. Take steps to have at least 30 days of consistent pay-stubs, all your employment info and as well a definitive number of assets that you have to pay for closing costs and down payment.

The loan officer will access a new credit report which will identify ways he/she may be able to help you begin rebuilding your credit and or identify any deficiencies you may have in obtaining a mortgage.

They will review your entire financial position and identify the areas you need help with. Upon learning these tips, you should be armed with the information you need to begin taking the first step.

Step 3

Review and Analyze in Detail Your Credit Report with Your Loan Officer

While we covered much of what will happen while discussing your current situation with your loan officer, the most important discussion revolves around your credit.

A good loan officer has the tools in which to create a detailed plan for recovery should your situation requires it. They have access to tools that most others do not.

NOTE: *The worst thing any consumer can do is use credit counseling when considering a mortgage. This is due to the fact that lenders interpret credit counseling as a step towards bankruptcy*.

The first tool most use is an "analyzer" that is offered through the credit bureau. For those with minor credit issues and who may be short between 20- 40 points on their credit scores, the analyzer works well to identify exactly what accounts and amounts are required to improve your score. For example, if your score is 600 and you need 640, the analyzers can review every account under each bureau to identify which accounts need to be paid down or paid off entirely.

Keep in mind that there are three distinct scores which lenders go by. Each bureau (Experian, Equifax, and Trans-Union) provides a score from 400-900 on the credit report. The lender chooses the middle score which then must meet its minimum which is typically between 620-640. So as an example: Experian is 600, Equifax is 690 and Trans-Union is 660. The middle score used by the lender will be 660.

In this case there is no need to use the analyzer. However, let's say the scores were 600, 610, and 609. We would be looking to boost the one of these to 640. Upon reviewing an analysis which your loan officer can run for you, Experian (600) might say that you need to pay down a MasterCard from $1500 to $850 thereby keeping the balance at less than 50% if the limit is $2000.

Step 4

Organize Your Personal Documents Required For Loan Approval

One of the most important steps in rebuilding your Dreams is to be organized as it relates to your personal and financial documentation that will be required by any lender.

Long before you visit a loan officer you should have a file designated for “mortgage documents.” Each week deposit a pay-stub, and each month drop in complete bank statements.

Add to that a photo copy of your license and social security card along with any letters for pension or social security.

A Mortgage Checklist on the following pages explains in painful detail what and why lenders require certain items and, it is an absolute must that you actually review and respond with exactly what is necessary for your situation. The checklist is a generic list and covers many types of borrowers. The checklist covers multi-unit home owners, self-employed, first time buyers and investors. Upon a close review you should be able to compile a fairly accurate file for the loan officer. Anything missing will be requested by the loan processor.

Create a special folder for all parties to insert pay-stubs, bank statements, W-2’s, and additional items which are on the checklist and apply to your particular situation.

Step 5

Understand the Loan Process – It's Critical!

Considering that you are about to make one of the largest financial decisions in your life, wouldn't you want to research and know everything possible about the process, the lender and all options available to you?

Of course the first thing every borrower thinks about and inquires of is; "what's the rate?' This is probably the least important issue of your research as most lenders today due to the regulations are always within an eighth of each other. Instead the key factor in your search is service.

Let's talk briefly about the process. Let's assume you have done proper research by contacting friends and family for a reference or two, and or, you have called Realtors to ask who they believe is the best lender/loan officer in town. Your next step is to apply for the loan whether online or in person. The process will require you to have pertinent information available regarding your personal info, financial stability, employment history, residence history, etc. be sure you have all phone numbers, addresses, names and positions you worked in. Do not assume a processor knows this. Failure to do so only slows the process down.

Once the lender has your loan in process, you will receive a mountain of papers to sign and be asked to provide information as outlined on the checklist attached. DO NOT underestimate the documents required for loan approval. Any failure to not supply everything again slows down the process.

Once you have signed all the loan docs and submitted your personal documents, be prepared to be an active participant in the process. This means that you must be ready and patient for the numerous phone calls clarifying issues, or simply to confirm something you have provided to the lender.

The normal steps taken by lenders during this process are as follows:

1. Once you apply a set of disclosure documents are sent within three days.

2. Upon receipt of your information a good loan officer will review to insure he/she has everything before submitting to the processor or in some cases directly to the underwriter.

3. Once the processor receives the file, they will review again and will provide the loan officer with another list of items that may be missing. Once you respond with any missing information the file is sent to the underwriter.

4. The underwriter reviews the file again but focuses on the guidelines for the type of loan chosen. Upon completion the underwriter issues a conditional commitment, meaning until all items are cleared the loan cannot close. These conditions are sent back to the processor who reaches out to the borrowers once again.

   NOTE: There is no longer any such document as a "Commitment Letter." Due to the regulatory environment lenders are in and coupled with the tightening of guidelines and fear of a loan repurchase, the lender issues a "Conditional Commitment" meaning there are items required by the borrower, the title agency, the seller, or Realtors.

5. Once all items are received, the file is returned to the underwriter who reviews to be sure all conditions have been met. If all is good, a clear to close is issued and the closing company (Title or Attorney) is notified to schedule the closing.

6. The closing company contacts all parties and arranges the closing.

This is a standard process that takes a minimum of 30 days for smaller lenders and up to 60-90 for the big box lenders. In addition, new regulations that are soon to be announced may change the entire process thereby extending 30 day closings to 60 and 60-90 day closing from the big banks to 120 days! Stay tuned!

THE TOP REASONS WHY YOUR LOAN MAY BE DECLINED

1. Borrower mis-information or lack of details: As examples of this issue we can use items such as a bankruptcy disposition date (when the bankruptcy actually was actually completed) or a foreclosure within a bankruptcy whereas a borrower believes that simply because the foreclosure was part of the bankruptcy, the home has been given officially back to the bank. In reality, the bank does not have to take the home back and therefore many borrowers find themselves “Still owning the home” halfway through their mortgage process.

   Today’s lenders have newly developed and sophisticated software giving them access to more information about a borrower than ever before. Confirming a borrower’s debts including a foreclosed property has never been easier.

2. The “Unreimbursed Expenses” on the Borrower’s Tax Returns: This is another deadly loan killer. Most borrowers provide their lender with W-2 which reflects the gross income from the previous year. What doesn’t show is that you took business expenses that the IRS allows you to take to reduce your tax burden. These expenses when reviewed by a mortgage underwriter reduce your income dollar-for-dollar. As an example you tell your lender you earn $40K per year. Upon review of the tax return, there is $10k in business expenses. Your actual income has now been reduced to $30K. You can alleviate this loan killing issue by first reviewing your tax return. Go to Schedule A where you will see the expenses. You can also use form 2106-EZ to itemize these expenses.

   If you are planning to purchase a home and need every penny that you earn to qualify, prepare in advance to file without taking the expenses.

3. Self-Employed Borrowers: Always find themselves in the middle of a quagmire when they show business losses while also showing a W-2 thereby believing they have tricked the system. When you own a business and take a loss it is taken again dollar-for-dollar off what you believe you made for income on the W-2.

****REMEMBER: Just because you receive a W-2, does not mean you cannot count the company's losses against your income!**

4. Owners of Rental Properties: Also get beaten up when Schedule E shows losses for properties.
   NOTE: You can no longer rely on using leases and or cancelled checks to use rental income except under a number of exceptions. Lenders now require a minimum of 12 months as shown on the tax return to qualify the income for purposes of qualification.

   If you show any losses the lender will add back depreciation and deduct the losses from your gross income.

5. Shopping for Additional Credit During the Loan Process: Lenders now pull credit just before the closing to insure the borrower has not run up their credit cards or incurred a new monthly payment.

6. The Undisclosed Family Member as The Employer: This always causes issues and typically requires a double underwrite as lenders frown on this type of employment. Be prepared with records of employment for a minimum of two years. A strong letter of explanation is typically required.

7. Undisclosed Relationships with Sellers: Commonly known as an Identity of Interest Conflict, this becomes another tough underwrite as lenders again frown on any relationships whereas sellers, buyers, and or agents are related in some form or another. Back in the day many buyers were actually "straw buyers" meaning someone behind the scenes was funneling monies for down payment and closing. Today this is again an issue for lenders as fraudsters continue to try and rig the system.

8. Large Deposits: One of the newest and most demoralizing lender guidelines is the new focus on where the money came from? In addition to standard underwriting of gifts and

seller credits, today's borrowers are now required to explain and source every deposit on their bank statements. If you sold a car and have no bill of sale, and or sold items for cash at a tag sale, these deposits require explanations. If you cannot the monies will be deducted and will not be used or credited towards costs of the loan.

In a related issue, if you transfer funds between accounts, you will need to show all accounts involved.

GIFTS: Obtaining a gift today is also under scrutiny. The donor must now provide their asset statement to show they have the funds to make the gift and secondly if there are large deposits on their statement, they must explain where they came from. Again we can understand that people funnel monies from various places to support a bank statement and now lenders have figured that it's time to trace the monies. All of it!

9. Failure to File Tax Returns on Time: Every borrower's file must contain tax transcripts from the IRS. Failure to file results in extended reviews and explanations by the borrower. Failing to file, causes the lender to review the previous year and then document the current year. If self-employed we are talking about obtaining a P&L (profit and loss statement) as well as other forms of verification.

10. Failure to inform your lender that you have additional properties including land. It doesn't matter even if there are no mortgages as there are taxes and insurance costs to be considered. Failure to disclose a private loan is fraud.

    NOTE: Maximum number of mortgage is 10 when the subject property is a primary purchase ONLY. Otherwise the max number of mortgages is four.

11. Failure to disclose all properties even if in LLC or corporate name will cause a denial.

12. Failure to disclose alimony or child support will cause a denial.

13. Failure to simultaneous purchases and loans being process by different lenders is cause for denial. Lenders do have the ability to see this and if a borrower is found to be simultaneously taking on new debt without disclosing it is cause for not only denial but a report to the FBI for fraud.
14. Flips: A flip is when a seller has purchased the home within the last 90 to 180 days and has made certain improvements to sell at a much higher price than they paid in a short period of time. Many sellers who flip properties make legitimate repairs and renovations while others do little to nothing or have done so with shoddy workmanship. These files will be underwritten with scrutiny and many require two appraisals.

15. Property Problems: Many borrowers believe that if a repair is necessary they can escrow monies to fix it and close the loan. This may not work for many types of loans including FHA, VA and USDA. Lenders will not lend on properties in disrepair and will again underwrite with scrutiny.

16. Condominiums: A property that always causes lenders to take a second and sometimes third look. Purchasing a condo is not like purchasing a single family home. The condo must meet specific guidelines and goes through its own loan process to be sure it is eligible for financing. Once it clears the approval process the borrower must then qualify so in theory it’s a two-step-process.

    Condos can create many problems which many borrowers don’t consider. For example the associations for these properties can have litigation, less than the required reserves, (10%), too many investors, and an onsite rental office or management team renting the units.

TIPS FOR A SMOOTH LOAN APPROVAL

The following tips will help ensure a smoother process and avoid any delays with your loan approval.

DO continue making your mortgage payment if you are refinancing (on time)

DO continue making your rent payments (on time)

DO keep working at your current employer

DO keep your same insurance company

DO continue living at your current residence

DO continue to use your credit as usual

DO call us if you have any questions

DO NOT make any employment or income changes

DO NOT make any major purchases (car, boat, jewelry, fur, etc.)

DO NOT apply for new credit (even if you are pre-approved)

DO NOT open any new credit cards

DO NOT transfer any balances from one account to another

DO NOT pay charged off balances without prior discussion with us

DO NOT pay collection accounts without prior discussion with us

DO NOT buy any furniture for the new home

DO NOT close any credit accounts

DO NOT change bank accounts

DO NOT max out or go over the limit on any credit card accounts

DO NOT consolidate your debt onto 1 or 2 credit cards

DO NOT take out a new loan on any other properties or purchases

DO NOT co-sign for anyone

DO NOT finance any projects including medical procedures unless urgent

DO NOT open a new cell phone account

DO NOT join a fitness club which requires membership fees to be auto deducted

DO NOT pay any debts off without discussing with us