

This list provides you with information on the most common reasons that a submitted loan doesn't fund. Our goal is to help you prevent some of these pitfalls so that your transaction will go as quickly and efficiently as possible.

## 1. NEGATIVE AMORTIZATION

We look carefully for negative amortization because it negatively impacts the amount of equity. To guard against negative amortization, we generally gross up the principal balance by 10%, so a \$300,000 balance would be \$330,000.

→ *Please notify us immediately if you know that a loan is negatively amortizing, so that we can determine if there is a CLTV issue as early as possible.*

## 2. IMPROPER SIGNATURE

We run into issues if the borrower signs his or her name differently than it appears on the loan documents or differently than it appears on their driver's license. Notaries will not notarize documents with names that they cannot verify, for example, if the property is vested as Maria Smith, but the driver's license reads, "Maria Smith-Hernandez." We can still complete the loan, but we need to know about the discrepancy in advance so that we can receive guidance and approval from title as to the proper way to sign the loan documents for recording and notary purposes.

→ *Take a look at your client's driver's license and notify us in advance if title is vested in a name that is different than what appears on their license.*

## 3. FORGERY

Due to the increase in mortgage fraud in our industry, title closely scrutinizes signatures on our loan documents and compares them to other recorded documents the borrower has signed and recorded.

→ *Never commit forgery and never instruct your borrower to sign for a spouse or someone else on title.*

## 4. BORROWER(S) UNDER THE INFLUENCE

Borrowers frequently come to their loan signing intoxicated or are intoxicated when the notary arrives at their home. Notaries cannot notarize documents of someone under the influence.

→ *Please alert your borrowers that they cannot be under the influence during the notarizing or signing of loan documents.*

## 5. EMPLOYMENT VERIFICATION

We verify employment and will call a day or two before funding to make sure the borrower is still employed. Employment is not always a condition of closing a loan. We look for either current employment or a reasonable prospect of future employment. We understand that sometimes things happen at inopportune times, and a change in employment does not mean that the loan will be canceled. If the situation is reasonable, it is likely the loan will continue. However, if the borrower is providing false or inaccurate information, we will cancel the loan immediately.

→ *Please notify us if there is a change in your borrower's employment.*

## 6. INSUFFICIENT EQUITY

If the value submitted on the appraisal is inflated, then there may be issues with the CLTV. We carefully review collateral and verify every appraisal with a broker price opinion (BPO). If we cannot arrive at a value that satisfies everyone, we will send it for a 3rd party review. However, often the appraiser was pressured to inflate the value, and there is insufficient equity to complete the loan. We have found that Zillow.com provides a relatively accurate estimate of value.

→ *Verify your appraisal against Zillow.com to ensure that it is reasonable.*

## **7. MISSING INFORMATION**

Many times, loans are submitted with missing information.

- *Be sure to use our helpful checklists located in the "Forms" section of ResCapLender.com – Form R175 (2/28 ARM checklist) or R180 (HELOC Checklist).*

## **8. INFORMED BORROWER**

In some cases, borrowers are not provided with detailed information on our HELOC product and don't understand the benefits. There are two things you can do to prevent this.

- *First, go to the site ResCapLender.com and use our savings calculator. By inputting your client's existing 1st mortgage information, you can show them how much they will save by getting a HELOC vs. refinancing their 1st mortgage. Most borrowers save tens of thousands of dollars.*
- *Secondly, you can refer them to our borrower web site at ResCapInfo.com and have your borrower review the Home Equity Loan, FAQs and Helpful Resources sections.*

## **9. UNEXPECTED LIEN ON TITLE**

To try and prevent surprises, the best thing you can do is to have your borrower complete and sign the Statement of Information, when you submit the loan. Send the form to your borrower with the additional disclosures and request they complete it immediately, so title can thoroughly investigate any liens on title early on. You can find the Statement of Information, Form R330, in the "Forms" section of our web site at ResCapLender.com.

- *Please have your borrower complete and sign the Statement of Information and include it with your loan submission package.*

## **10. HIGHER PAYOFFS AND REINSTATEMENTS**

Getting the payoff and reinstatement values upfront can save you and your borrower a lot of time. If a loan is in foreclosure, the reinstatement will almost always come back \$10,000 higher than expected.

- *Try to obtain the payoff and reinstatements before submitting your loan.*