

# The Loan Process – Important Notes FYI

<p><b>Credit Reporting</b></p>	<p>Closing existing accounts or Opening new accounts within 6-12 months of the report being pulled can have a negative effect on your scores. Balances on credit cards that are more than 25% of the limits will have a negative effect as well – even if you pay them off monthly. Inquiries (other than consumer pulling their own) can have a negative effect. The higher your scores, the better your rate and loan options will be in most cases. The lender can pull another report up to and including the day of closing. Always ask if you need to make any changes to your credit so we can set up the best outcome for you.</p> <p>For mortgage purposes, the industry requires a full Tri-Merge FICO Scoring Report that is pulled by the originating firm (Arboretum Mortgage) through an approved Credit Reporting Agency. The Tri-Merge will show details and credit scores from Equifax, Trans Union and Experian. Every individual has 3 scores – one from each credit bureau. The lender will use the lowest middle score from a view of all borrowers. Example: Borrower 1 has scores of 742, 767, 750. Borrower 2 has scores of 788, 759, 777. The lender will use 750 for pricing and underwriting the loan.</p> <p>The Fair Issac Corporation is a data analytics company. The FICO scoring model is used across the mortgage industry. It provides a more strict and stringent analysis of a variety of factors within a person’s credit history. Your Tri-Merge FICO scores will often be lower than just a standard Consumer Pull of credit that are available to the consumer and generally used in the finance world outside the mortgage industry such as with auto loans, boat loans, your insurance company, etc.</p>
<p><b>Funds for closing and or reserves</b></p>	<p>FNMA, FHLMC, FHA and VA as well as other investors in the mortgage industry require documentation of funds used for down payment, closing costs, prepaids and potentially reserves if applicable. They require that we ‘source’ the funds. This means providing a 2-month history (actual statements with all pages) of where the funds have been to show they are truly the borrower’s own funds. Any large deposits will need to be explained and documented most likely.</p> <p>If you plan to move funds from one account to another or open a new account and move funds during this time or cash out any investments or assets, please communicate this as soon as possible for the best outcome.</p> <p><b>VERY IMORTANT:</b> Be sure to communicate with your financial institution about the timing needed to cash out assets so that they are in a liquid [non-pending] state when the time is needed to draw the funds. Also, it is very important to research the timing required by your financial institution to wire the funds to escrow if wiring is required or desired. Movement and availability of funds can take time.</p>

*I certify that I have reviewed and comprehend the importance of the above:*

Borrower signature:

Date:

Borrower signature:

Date:

If you have any questions regarding the above or anything you feel is relevant to share about the above or your overall qualifying that has not been covered, please let me know. It is always better to be proactive rather than reactive before or during the loan process. I am here to help.

