

Wise Advice from The Loan Goddess

Wise Advice for Completing the Uniform Residential Loan Application

The lender uses this form to record relevant financial information about an applicant who applies for a conventional one- to four-family mortgage. Roman numerals in these instructions correspond to the sections on the form.

I. Type of Mortgage and Terms of Loan

In nearly all cases, the box you would mark is Conventional. The Agency Case Number and Lender Case Number boxes get filled in by your mortgage broker. The typical number of months is 360 for a 30 year mortgage.

II. Property Information and Purpose of Loan

Subject Property Address is your home if you are refinancing, or the property you want to buy if you are purchasing. For the Legal Description, you can write: See Preliminary Title Report since these descriptions can be quite long, and must be precise. For "Title to be held in what Name(s), this must match the exact spelling you use for legal documents. For a discussion of "Manner in which Title will be held" refer to the "Eight Ways of Holding Title" flier in the Wise Advice section. Fee Simple is nearly always the correct answer to "Estate will be held in:" question.

III. Borrower Information

Yrs. School is 12 for high school, 16 for college degree, and 18 or more for graduate degrees. For married co-borrowers, your spouse can fill in the blanks with "same" for dependents, and addresses. Remember, if they are not to be on title, they must complete a "quit claim" deed.

IV. Employment Information

Many borrowers have more than one job, or through mergers, etc. have different employer's names. What Fannie Mae is looking for here is the employer information that can be used to verify your current employment. The Name Address and Business Phone should correspond to the department that issues your payroll checks. For self employed borrowers, the number cannot be your home phone number, it has to be a separate business number.

V. Monthly Income and Combined Housing Expense Information

Your Base Employment Income is the GROSS amount of your monthly check, not the after taxes amount. For self-employed borrowers, this is the TAXABLE income. Dividends/Interest refers to the cash generated by your liquid investments, not your retirement accounts. If the net cash flow for an investment property (or the monthly operating income for a two- to four-family property for which the applicant occupies one of the units as a principal residence) is a positive number on the Schedule of Real Estate Owned", it should be listed as "net rental income." If it is a negative number, it must be included in the applicant's monthly obligations.

Combined Monthly Housing Expense: The present monthly housing expenses for the borrower and the co-borrower should be listed on a combined basis. If your mortgage payments include an impound/escrow amount for Taxes and/or Insurance, break those amounts out from your principal and interest amounts.

VI. Assets and Liabilities

"Cash deposit toward purchase held by" refers to purchase transactions only, and is typically the escrow company holding your good faith deposit. For the checking and savings accounts, the amount should reflect an average of the last two month's balances, not today's balance. Stocks and Bonds are only your liquid holdings, not your retirement accounts. Most of us have more than one retirement account, and Fannie Mae gives only the space of one small box titled "Vested interest in retirement fund" give an approximate total here, and you will be providing the most recent two months' statements for all of them as part of the application.

VII. Details of Transaction

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Depending on what stage of the purchase or refinance transaction you are at when filling this out, fill in what you know for sure. For instance, if a good faith deposit has already been made, go ahead and write that amount in at the top of Section VI. In this section it would be considered "Other Credits". For refinances, the amount to be shown here includes only those mortgages you will be paying off with the new loan, other debts to be included, like credit cards will make this a "cash out" refinance, and can be included here, too. Lines "a", "b", and "c" should not be used to describe a refinance transaction.

VIII. Declarations

Both borrower and co-borrower answer these questions honestly and thoroughly. Noncitizen Applicants: If an applicant indicates in his response to Question J that he is not a U.S. citizen, and also indicates in his response to Question K that he is not a permanent resident alien, the lender may wish to ask whether he is a nonpermanent resident alien or otherwise is lawfully present in the United States. Fannie Mae will purchase loans where the borrower is not a U.S. citizen provided that the borrower is lawfully present in the United States, but do not designate specific documentation that is required to establish lawful presence. They recommend consulting with counsel or other sources for information on standard documents that can be used to establish lawful presence. Note that the loan can be considered a loan to a first-time homebuyer if any of the applicants is an individual who (1) is purchasing the security property, (2) will reside in the security property, and (3) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. If there is more than one applicant, only one of the applicants has to qualify for first-time homebuyer status in order for the mortgage to be considered a mortgage to a first-time homebuyer.

IX: Acknowledgment and Agreement

Please read this carefully before signing. You are acknowledging that the information is true and correct, the property will be occupied as indicated in this application, and that you understand the penalties if it is not true and correct, among other important agreements.

X. Information for Government Monitoring Purposes

This section is included to aid the federal government in monitoring compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. Race and ethnicity are separate categories. Note that there is no longer a place for applicants to indicate race as "Other" but applicants may check as many races as apply. When an application is taken in person and an applicant elects not to provide some or all of this information, federal law requires the lender to note the applicant's sex, ethnicity, and race on the form. "To Be Completed By Interviewer" section will be completed by your mortgage broker or loan agent.

For California Applications

California Civil Code 1812.30 (j) requires that credit applications clearly specify that the applicant, if married, may apply for a separate account. This requirement is not inconsistent with the language at the beginning of Form 1003. Lenders may revise the description of the "Married" box in Section III for Borrowers and Co-Borrowers by adding "(includes registered domestic partners)." If lenders are unable to insert the language due to the format of the form, this language may be added to the continuation sheet or included as an attachment to Form 1003.

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