



# 10 IMPORTANT TIPS TO SAVE YOUR DEAL

*With the increasingly cautious mortgage underwriting market we all want our deals to close with as few bumps as possible. To help achieve that goal we've listed some common concerns that arise in an offer to purchase. This list will illustrate how you can help head off potential underwriting issues from the start.*

**1 Are you worried that this home could appraise low?** As a Realtor you truly have influence with the appraisal report. Here's what you can do to help: Pass along the best phone number for the appraiser inspection to reach the party with whom they are going to schedule the appraisal. Whenever possible the listing or selling agent should attend the appraisal to meet the appraiser. Provide a detailed list of improvements and costs the seller has made, special characteristics that are pertinent to the valuation and a report of recent comparable sales researched in the MLS of sold, pending and active listings. Ask if he/she has any concerns or likely required repairs to the property that will be noted in the report so you are aware of these issues in advance.

**2 If you are aware that a property is in a flood zone share that information.** Our team is diligent in obtaining a flood determination early in the process but some lenders may not require it until all other conditions are met. If you are aware a home is in a flood zone or that the current owner carries flood coverage, a heads up to the lender could help save pain in the transaction later. A property that is located in a flood zone requires more disclosures that must be signed prior to closing. The need for flood insurance coverage may lead to an increased payment which could impact approvability. Insurance agents may require additional documentation such as an elevation certification if the home is in a flood zone in order to write the policy.

**3 Was the home sold recently or it was a prior foreclosure?** If yes, that is very important and should be shared with your buyer's lender. Also known as a flip, there are very stringent requirements for loan programs in regard to a property that has sold in the prior three months. In these cases a second appraisal and sometimes a home inspection in the lender's name are required to be reviewed by underwriting and cannot be charged to the buyer. Bringing this to the lender's attention immediately upon delivering the accepted offer saves time should a second appraisal or inspection be required. If this is not mentioned the lender may not know until receiving the title insurance and appraisal, which could be weeks after the applicant has applied. This could lead to not only a delay in closing but the challenge of another appraisal having to meet the offer price and lender approval.

**4 Personal property should not be on the sales contract.** Instead utilize a Bill of Sale. Underwriters view the inclusion of seller's personal property as enticement to sell. Any items included in the sale price that are non-standard (appliances or window treatments are standard) should be addressed in a separate bill of sale does not require underwriting.

**5 When you list a home ask the seller for a copy of their survey, elevation certificate and past title work.** If the seller has the past title, survey and elevation certificate from the purchase or a recent refinance have them pass that on to you in the beginning of the listing process. When an accepted offer is in place share that paperwork with the title company to help save time and money. If we have the survey early in the process it saves the time of tracking down a copy and finding out if a new survey will be required. Also, notify the lender if any improvements since the last survey have been completed such as room additions, a pool or a fence.



**6 Knowing certain loan program appraisal requirements and concerns can save time on negotiations.** Here are some examples: All USDA Guaranteed Rural Housing mortgages require safe well water testing results to be underwritten and approved. USDA also does not allow any value on the appraisal for pools and does not allow properties with larger barn type structures that could be income producing. FHA and USDA Rural Housing Mortgages are required to have FHA full appraisals and the appraiser will note any peeling or chipping paint or very obvious safety hazards or home malfunctions be repaired prior to closing. During most appraisal inspections all plumbing and electricity must be on and in working order as all sinks and toilets will be flushed and lights turned on. If you see a home has peeling and chipping paint and you know your buyer is utilizing FHA or USDA loan programs it is a great time to have a heads up conversation with the listing agent to make them aware that they may be negotiating repainting before closing.

**7 Everyone Loves a Clean Loan Commitment! Mortgage loan approvals happen in stages.** Initially the file is sent in and an initial approval is issued. Commonly on the initial approval items such as appraisal, title, home owner's insurance, and final verification of closing funds are listed because these items are not yet available until later in the process. After the initial approval is received the mortgage processing team is working on fulfilling all open conditions and when received submits them to the underwriter to obtain a full approval, ready for closing. If you receive a loan commitment with items listed to be fulfilled, know this is expected and a normal part of the process.

**8 You said you needed one last item for the loan approval and we have it! Why can't we close tomorrow?** This is a common question, but there are a lot of moving parts in setting up closing. When a final item comes in it is then sent to the underwriter for their review and clearance. Most underwriting staff has time frames to review paperwork to help keep the flow of loans moving forward. When the clear to close approval is issued the file must be moved to the closing department for the mortgage documents to be generated. Closing departments need time to review the documents, check last and final at close conditions and ensure the title company has all they need for the closing to be finalized. Once the closing package arrives at the title company their staff will need time to print and review all documents and prepare the HUD-1 Closing Statement. The HUD is then sent back to the lender's closing department for final approval. This time frame can vary from lender to lender but commonly most will require ample time to review and finalize figures to ensure no mistakes are made at closing.

**9 What are sales concessions and what are the maximum amounts?** Sales concessions are items included in the purchase price paid for by the Seller such as closing costs, updates or improvements, such as new carpeting or other improvements or buyer agency fees paid as extra commission to a buyer's agent by the seller. There are limits on what these amounts can be for each loan program. As of the date of this print, USDA has no maximum; FHA the max is 6%, VA the max is 4% and conventional financing with a 5% down payment the max is 3%, 6% with up to 25% down payment and 9% with 25% or more down payment; however, for non-owner occupied the max is 2% for any down payment. If you have an offer that has a hefty amount of sales concessions it's always a good idea to check with the buyer's lender to verify it meets lending requirements.

**10 Underwriters analyze the Seller's Real Property Disclosure Statements.** Because a lender will review a seller's report for any concerns, talk with your seller about items they may want to explain on this form. If there is an item noted it is likely the lender will request either an inspection or more clarification on that item even if not noted as a concern on the appraisal or inspection.

### *The Yvette Clermont Team*

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