

REAL ESTATE LOAN UNDERWRITING IN INDIANA

STUDY SHEET

Summary

In this section, you explored the loan underwriting process, learned about information lenders use to qualify loan applicants, and practiced loan-related calculations.

Top Takeaways

- Lenders review a buyer's credit score and history, capacity to repay the loan, and collateral (including inspection, appraisal, and insurance factors) in determining whether to fund a mortgage loan.
- A move toward using alternative credit scoring models for buyers deemed credit invisible or credit unscorable may open the home buying door to those previously unable to qualify for a mortgage.
- Housing, debt-to-income, and loan-to-value ratios are important numbers in determining loan eligibility.
- Loan amortization is the process by which the loan principal is reduced by the periodic (usually monthly) payments, thereby decreasing the amount of interest due each payment period.
- Each monthly mortgage loan payment includes principal and interest. Most lenders also require borrowers to pay a portion of the property taxes and insurance that will be due. The lender holds this in reserve to pay the taxes and insurance when they come due.
- Loan costs to borrowers include origination fees, discount points, and buydowns.
- VA borrowers aren't required to make a down payment but do pay a loan funding fee.
- Lenders may use manual or automated underwriting processes (or both) in reviewing a loan.

Take a look back at your notes for these items:

- Purpose and use of underwriting systems
- Uses for and advantages and disadvantages of manual and automated underwriting systems
- Calculate
 - » Interest
 - » Equity
 - » Loan payments using an amortization schedule
 - » Housing ratio
 - » Debt ratio
 - » Loan-to-value ratio
 - » Origination fees
 - » Discount points
 - » Buydowns