

# The 4 C's of Mortgage Lending

What Underwriters review to approve/deny a Mortgage Application

**It all begins with the 1003-  
Uniform Residential Loan  
Application**

# Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co-Borrower information must also be provided (and the appropriate box checked) when ☐ the income or assets of a person other than the Borrower (including the Borrower's spouse) will be used as a basis for loan qualification or ☐ the income or assets of the Borrower's spouse or other person who has community property rights pursuant to state law will not be used as a basis for loan qualification, but his or her liabilities must be considered because the spouse or other person has community property rights pursuant to applicable law and Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below):

Borrower		Co-Borrower	
<b>I. TYPE OF MORTGAGE AND TERMS OF LOAN</b>			
Mortgage Applied for	<input type="checkbox"/> VA <input type="checkbox"/> FHA	<input type="checkbox"/> Conventional <input type="checkbox"/> USDA/Rural Housing Service	<input type="checkbox"/> Other (explain):
Agency Case Number		Lender Case Number	
Amount \$	Interest Rate %	No. of Months	<b>Amortization Type:</b> <input type="checkbox"/> Fixed Rate <input type="checkbox"/> GPM <input type="checkbox"/> Other (explain): <input type="checkbox"/> ARM (type):

<b>II. PROPERTY INFORMATION AND PURPOSE OF LOAN</b>					
Subject Property Address (street, city, state & ZIP)					No. of Units
Legal Description of Subject Property (attach description if necessary)					Year Built
Purpose of Loan <input type="checkbox"/> Purchase <input type="checkbox"/> Refinance			<input type="checkbox"/> Construction <input type="checkbox"/> Construction-Permanent <input type="checkbox"/> Other (explain):		
Property will be: <input type="checkbox"/> Primary Residence			<input type="checkbox"/> Secondary Residence		<input type="checkbox"/> Investment
Complete this line if construction or construction-permanent loan.					
Year Lot Acquired	Original Cost \$	Amount Existing Liens \$	(a) Present Value of Lot \$	(b) Cost of Improvements \$	Total (a + b) \$
Complete this line if this is a refinance loan.					
Year Acquired	Original Cost \$	Amount Existing Liens \$	Purpose of Refinance	Describe Improvements <input type="checkbox"/> made <input type="checkbox"/> to be made	Cost: \$
Title will be held in what Name(s)			Manner in which Title will be held		Estate will be held in: <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (show expiration date)
Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain)					

Borrower				Co-Borrower			
Borrower's Name (include Jr. or Sr. if applicable)				Co-Borrower's Name (include Jr. or Sr. if applicable)			
Social Security Number	Home Phone (incl. area code)	DOB (mm/dd/yyyy)	Yrs. School	Social Security Number	Home Phone (incl. area code)	DOB (mm/dd/yyyy)	Yrs. School
<input type="checkbox"/> Married <input type="checkbox"/> Separated		<input type="checkbox"/> Unmarried (include single, divorced, widowed)		<input type="checkbox"/> Married <input type="checkbox"/> Separated		<input type="checkbox"/> Unmarried (include single, divorced, widowed)	
Dependents (not listed by Co-Borrower)		no. ages		Dependents (not listed by Borrower)		no. ages	
Present Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.				Present Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.			
Mailing Address, if different from Present Address				Mailing Address, if different from Present Address			
If residing at present address for less than two years, complete the following:							
Former Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.				Former Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent ___ No. Yrs.			

Borrower				Co-Borrower			
<b>IV. EMPLOYMENT INFORMATION</b>				<b>Co-Borrower</b>			
Name & Address of Employer		<input type="checkbox"/> Self Employed	Yrs. on this job	Name & Address of Employer		<input type="checkbox"/> Self Employed	Yrs. on this job
			Yrs. employed in this line of work/profession				Yrs. employed in this line of work/profession
Position/Title/Type of Business		Business Phone (incl. area code)		Position/Title/Type of Business		Business Phone (incl. area code)	

If employed in current position for less than two years or if currently employed in more than one position, complete the following:

# Who can get a mortgage loan?

- ▶ The question homebuyers ask most often is, “Will I qualify for a Mortgage Loan?” or “What does it take to qualify for a Mortgage?”
- ▶ To answer those questions, the borrower needs to look at themselves through the eyes of a lender
- ▶ The lender wants to make sure the borrower can afford the home they are buying and that they are likely to repay the loan. The lender also wants to make sure that the house they want buy is worth the price they are paying.
- ▶ That review process is called the 4 C’s of lending

## **Credit**

A borrower's repayment abilities are evaluated by reviewing their previous payment trends. Factors such as payment history, total outstanding debt, revolving credit etc. are evaluated to assign a credit score that reiterates buyer's payment likelihood in the future. People with stronger credit often are offered better interest rates than those borrowers with lower scores. A loan officer will run a credit check during the initial stages of loan application to identify potential issues that can arise based on the credit report.

# Capacity

The analysis conducted to evaluate a borrower's current income against their projected debt is called capacity. This factor determines the borrower's ability to repay the loan. While establishing borrower's capacity, lenders take two calculations into account – Housing Ratio and Debt Ratio. Underwriters review the client's debt to income ratio to determine if they can make the payments on a regular basis. Student loans, car loans and credit cards can impact the loan amount that will be approved. Underwriters also take stability of the borrower's employment into account and the time they have been in their current jobs.

# Capital/Cash

- ▶ This aspect of the 4 C's takes the borrower's assets into consideration. Underwriters look at cash in reserve and cash in transaction. They also scrutinize the bank statements to determine where the closing money will come from. The borrowers are allowed to use gifts as down payment, as far as they have a valid paper trail to justify the money. They must also document all the large deposits made into their bank accounts. The loan officer should always be informed about the origin of large sums of money.
- ▶ The underwriter is review your assets to confirm there is money for down payment, loan fees, closing costs, escrow impounds, reserves for a rainy day and moving expenses.

# Collateral

Also known as home appraisal, collateral takes many factors into account before it attaches a value to the property. Property location, size, condition of the home, rebuilding cost, cost of other similar homes is taken into consideration. As a lender, your objective is not to foreclose the property, but to have a security that you can use to safeguard the loan, should the buyer default on their payments. The buyer may fall in love with that 233 Square foot A frame but the investor may not be so interested in going into partnership with them on that particular home. Regardless of credit, capacity or capital.



The underwriter is required to insure that the loan application and supporting documentation meet the requirements of the underlying investor, for example Fannie Mae, Freddie Mac, VA and FHA. Each investor has a handbook, typically over 1000 pages long, which sets the parameters for the loan and acceptable loan documentation to satisfy the investor requirements.

# Equal Credit Opportunity Act

ECOA

ECOA makes it unlawful for any creditor to discriminate against any applicant with respect to any aspect of a credit transaction on the basis of:

- Race;
- Color;
- Religion;
- National Origin;
- Sex;
- Marital Status;
- Age (provided the applicant has the capacity to contract);
- Because all or part of the applicant's income derives from any public assistance program; or
- Because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

The Equal Credit Opportunity Act (ECOA), which is implemented by Regulation B, requires financial institutions and other firms engaged in the extension of credit to make credit equally available to all creditworthy customers.

An **applicant** is any person who requests or who has received an extension of credit from a creditor and includes any person who is or may become contractually liable regarding an extension of credit.

An **application** is an oral or written request for an extension of credit made in accordance with procedures used by a creditor for the type of credit requested.

A **creditor** is a person who, in the ordinary course of business, regularly participates in the credit decision, including setting the terms of the credit. This includes a creditor's assignee, transferee, or subrogee who so participates. For purposes of discrimination or discouragement, the term creditor also includes a person who, in the ordinary course of business, regularly refers applicants or prospective applicants to creditors, or selects or offers to select creditors to whom requests for credit may be made.

**Extension of credit** means the granting of credit in any form including, but not limited to, credit granted in addition to any existing credit, the refinancing or other renewal of credit, or the continuance of existing credit without any special effort to collect at or after maturity.

# Disparate Treatment

- ▶ occurs when a lender treats an applicant differently based on any prohibited factor. A difference in treatment (i.e. different pricing, different conditions, etc.) that has no credible non-discriminatory explanation is considered an act of intentional discrimination, even if the difference in treatment was not motivated by a conscious intent to discriminate.



# Disparate Impact

occurs when a lender applies a neutral, non-discriminatory policy equally to all applicants, but the policy still has an adverse impact on applicants of a prohibited basis group.

# Overt Discrimination

exists when a lender openly discriminates against applicants on a prohibited basis. This includes instances where a lender expresses any type of discriminatory preference, even if the lender does not act on that preference.

# The Fair Housing Act - FHAct

The Fair Housing Act (FHA), which is implemented by HUD regulations, prohibits discrimination in any aspect of a residential real estate-related transaction, including but not limited to:

- Making loans to buy, build, repair or improve a dwelling;
- Purchasing real estate loans;
- Selling, brokering or appraising residential real estate; and
- Selling or renting a dwelling.

The FHA prohibits discrimination based on:

- Race or color;
- National origin;
- Religion;
- Sex;
- Familial status (defined as children under the age of 18 living with a parent or legal custodian, pregnant women, and people securing custody of children under 18); or
- Handicap

## An Underwriters job is to protect the investor and the borrower

- ▶ The underwriter is required to apply the 4 c's to the analysis of the application based on the guidelines for the loan type.
- ▶ A loan officer is there to advocate for the borrower and apply his/her knowledge and skills, working with the applicant/s/ to make sure the loan application is complete and all due diligence has been gathered.
- ▶ If there are unique aspects to the file ( 4C's), and there usually is, the Loan Officer typically works with the applicant to improve those aspects so that homeownership is attainable.
- ▶ The lender, the loan officer, the processor, the underwriter all want the same thing as the borrower: A home at the end of the day that is sustainable for their family.

New Application Coming  
July 2019

## Uniform Residential Loan Application

Verify and complete the information on this application. If you are applying for this loan with others, each additional Borrower must provide information as directed by your Lender.

**Section 1: Borrower Information.** This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

### 1a. Personal Information

Name (First, Middle, Last, Suffix) _____		Social Security Number _____ (or Individual Taxpayer Identification Number) _____
Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix) _____		Date of Birth (mm/dd/yyyy) ____/____/____ Citizenship <input type="radio"/> U.S. Citizen <input type="radio"/> Permanent Resident Alien <input type="radio"/> Non-Permanent Resident Alien
Type of Credit: <input type="radio"/> I am applying for individual credit. <input type="radio"/> I am applying for joint credit. Total Number of Borrowers: _____ Each Borrower intends to apply for joint credit. Your initials: _____		List Name(s) of Other Borrower(s) Applying for this Loan (First, Middle, Last, Suffix) _____
Marital Status <input type="radio"/> Married <input type="radio"/> Separated <input type="radio"/> Unmarried (Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)	Dependents (not listed by another Borrower) Number _____ Ages: _____	Contact Information Home Phone: (____) ____-____ Cell Phone: (____) ____-____ Work Phone: (____) ____-____ Ext. _____ Email: _____
Current Address Street _____ Unit # _____ City _____ State _____ ZIP _____ Country _____ How Long at Current Address? ____ Years ____ Months Housing <input type="radio"/> No primary housing expense <input type="radio"/> Own <input type="radio"/> Rent (\$_____/month)		
If at Current Address for LESS than 2 years, list Former Address <input type="checkbox"/> Does not apply Street _____ Unit # _____ City _____ State _____ ZIP _____ Country _____ How Long at Former Address? ____ Years ____ Months Housing <input type="radio"/> No primary housing expense <input type="radio"/> Own <input type="radio"/> Rent (\$_____/month)		
Mailing Address – if different from Current Address <input type="checkbox"/> Does not apply Street _____ Unit # _____ City _____ State _____ ZIP _____ Country _____		
Military Service – Did you (or your deceased spouse) ever serve, or are you currently serving, in the United States Armed Forces? <input type="radio"/> NO <input type="radio"/> YES If YES, check all that apply: <input type="checkbox"/> Currently serving on active duty with projected expiration date of service/tour ____/____/____ (mm/yyyy) <input type="checkbox"/> Currently retired, discharged, or separated from service <input type="checkbox"/> Only period of service was as a non-activated member of the Reserve or National Guard <input type="checkbox"/> Surviving spouse		

**Language Preference** – Your loan transaction is likely to be conducted in English. This question requests information to see if communications are available to assist you in your preferred language. Please be aware that communications may NOT be available in your preferred language.

Optional – Mark the language you would prefer, if available:

☐ English ☐ Chinese ☐ Korean ☐ Spanish ☐ Tagalog ☐ Vietnamese ☐ Other: \_\_\_\_\_ ☐ I do not wish to respond

Your answer will NOT negatively affect your mortgage application. Your answer does not mean the Lender or Other Loan Participants agree to communicate or provide documents in your preferred language. However, it may let them assist you or direct you to persons who can assist you.

Language assistance and resources may be available through housing counseling agencies approved by the U.S. Department of Housing and Urban Development. To find a housing counseling agency, contact one of the following Federal government agencies:

- U.S. Department of Housing and Urban Development (HUD) at (800) 568-4287 or [www.hud.gov/counseling](http://www.hud.gov/counseling).
- Consumer Financial Protection Bureau (CFPB) at (855) 411-2372 or [www.consumerfinance.gov/find-a-housing-counselor](http://www.consumerfinance.gov/find-a-housing-counselor).