

the Mortgage Bulletin

Week of June 20th, 2011

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Those lazy crazy hazy days of summer

After a long cool spring, summer's here at last.

During summer, several things can happen that could impact any mortgage loan transaction that you might be involved in, or contemplating. So this week's Mortgage Bulletin has some heads up advice about things related to summer.

Obviously summer is a time for vacations, sabbaticals (if you're lucky), and short trips out of town. It's also a time when people buy homes. And – should rates decline just a bit, a time when people refinance.

If you are contemplating purchasing a home, you'll need time and availability to assemble documents for the loan pre-approval process. If you are successful with your offer, you'll need to be available for reviewing reports and disclosures.

And of course, whether you are buying or refinancing, you will need to be around to sign loan closing documents.

In order to prevent delays that can and will happen if you are needed and unavailable, it's a great idea to go over the scheduled events and timeline with your mortgage broker – and Realtor. If there are conflicts, you may need to rearrange your schedule. For it is true that no one can be in two places at the same time.

Consider a power of attorney (POA) that one borrower can give to the other in case one might not be available. If one borrower travels a lot, it's wise to set up a POA just in case.

It's a simple process. The escrow officer at the title company can prepare the form, it must be signed and notarized and it must be approved in advance by the lender.

Once the POA has been approved by the lender, you are prepared for sudden and unplanned trips that could otherwise create a big problem. Do this well in advance.

What else frequently accompanies summer vacations that could impact a loan in process? Bet you never thought of it.

It's the use of credit cards. Most everybody these days put vacation expenses on credit cards and settles later. That's the "convenient" way to do it.

This should not be a problem unless your ratios of debt to income are pushing the limit. But if the ratios are tight, use of a credit card while on vacation during the loan process can cause problems. Here's why.

Many lenders run a "pre-closing" credit check just before the loan closes to learn of any added debt/monthly obligations. So, depending on when you charge your card, how much you charge, and when the creditor reports to the credit agencies, it is possible to wreck your ratios.

If your new charges push ratios beyond the allowable limit, the lender will not close the loan. And – man, would that take the glow away from your wonderful vacation.

What should you do to prevent this from becoming a problem? Talk to your mortgage broker. He or she can tell you how close you are to the max and you can plan accordingly.

Hopefully there will be plenty of "ratio room" and nothing to worry about. But it's best to know. You may need to use caution or "do it the old fashioned way", pay for your vacation expenses by check.

In case you missed it, the main message in this week's Bulletin is to stay in touch with your mortgage broker. Make sure your summer plans do not present a problem. Make sure they know where you are and where you will be.

If you must leave during the process, make sure to leave your cell number and email access information.

Now, go out and have a good summer!



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