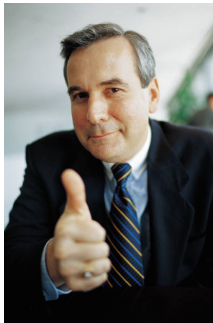


# Mortgage Bulletin

## Thumbs Up Mortgage

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### Conforming Loans to \$359,650

Type	Rate	APR	Trend
30 Yr FIX	5.750%	5.836%	→
15 Yr FIX	5.375%	5.506%	→
5/1	5.375%	6.143%	→
3/1	5.250%	6.219%	→
<b>Jumbo Loans above \$359,650</b>			
30 Yr FIX	6.000%	6.059%	→
15 Yr FIX	5.625%	5.701%	→
10/1	5.875%	6.139%	→
7/1	5.875%	6.213%	↑
5/1	5.625%	6.188%	→
10 Yr Bond		4.294%	↑
Prime		6.750%	↑

## Pre-approval in name only

Everyone familiar with the real estate scene today knows that a prospective home buyer (who needs a loan) needs solid loan pre-approval. Pre-approval is, so to speak, a buyer's permit to make an offer.

The Weekly Bulletin has addressed this general topic (loan pre-approval) before, and most always from the perspective of its importance to potential home buyers. It is clear, however, that whatever impacts the buyer could also impact the seller as well as other peripheral players, such as the Realtors on each side of the transaction.

Obviously a buyer without solid loan pre-approval is at risk when making an offer with no financing contingency. Should financing subsequently fail to materialize as necessary to close on the transaction, the potential buyer could lose his/her deposit. And given that the typical deposit is 3% of purchase price, that's \$30,000 on a \$1,000,000 purchase.

Additionally, the Realtor representing the buyer can lose credibility in the real estate community when their buyer fails to close for lack of financing. Realtor credibility is vital in today's competitive housing market. In addition to loss of credibility, the selling Realtor would lose a lot of time, and we all know the value of time.

The listing Realtor likewise would lose time, money, and potentially the seller's trust, because the seller is relying on the listing Realtor to screen offers, determining which is not only the highest, but also the most responsible. Failure on the part of the listing Realtor to sniff out a pre-approval letter lacking in substance is embarrassing to say the least, and could be professionally damaging.

The seller also suffers when a transaction falls apart for lack of financing. Granted, there is the possibility of retaining the deposit, but failed transactions can cast a pall on good property, potentially reducing

its appeal to other buyers. And who knows, the market could shift. Unfortunately it is all too easy for potential home buyers to get what they may believe is a real pre-approval. Anyone can go to one of the many online lending sites, plug in figures for income, assets, and liabilities and get a "pre-approval" letter.

Also, there are loan agents and mortgage brokers who will do essentially the same thing -- that is, write a pre-approval letter based on verbal information from the buyer. Buyers, sellers, as well as listing Realtors and selling Realtors must be able to distinguish between a reliable pre-approval letter and one that is only an empty promise.

A pre-approval letter stating that the buyer is approved subject only to conditions that relate to the property: an appraisal, title report, and purchase contract, can be deemed reliable. If the letter also states that the buyer's assets and liabilities, and income have been verified and a credit report has been approved, it adds even more credibility.

Empty promise pre-approval letters contain phrases which raise red flags including: "we believe" or "approved subject to lender review of documentation to be provided" or "this approval is based on our review of borrower's application and credit report" and other similar phrases.

It is vital to read pre-approval letters carefully. Buyers, make sure your pre-approval letter is based on verified information. If it is not, then it can lead to disappointment and delays in closing -- or worse, it can lead to failed transactions and loss of money.

Fortunately, there are competent, reputable and ethical loan agents and mortgage brokers who will issue only reliable pre-approvals. Hopefully this brief discussion will help you know them when you find them.

**Thumbs Up Mortgage is a mortgage broker licensed by the State Department of Real Estate, license 888-999-22. Rates posted are subject to change without notice.**