

## Pre-Approval: What the Lender is Looking For

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4 Hour Online CE Course Outline for TREC

### Introduction (no CE time)

Before we begin, we'll discuss the course outline, our objectives for the course, and you'll complete a pre-course quiz to get a feel for what you already may know about home financing.

Video – 5 min	Welcome to the Course
Quiz	Pre-Course Knowledge Quiz (10 questions)
Video – 5 min	Course Overview
--	Sign the TREC Attestation Form

### Part 1 – From Contract to Closing Day (45 minutes)

In part one, we cover the home buying process from going under contract, gaining initial and final underwriting approval, and preparing for the closing day. Agents need to know how strong of a Pre-Approval the buyer has, that way the agent can properly submit an offer with a longer/shorter Option Period or longer/shorter/waived Financing Contingency. With multiple offer situations, communication with the lender will help your offer stand out of the crowd. To better prepare to submit an offer, we will discuss the important elements of the sales contract, explain the lender's Loan Estimate and initial disclosures, underwriting turn times, common lender conditions, and final choices to be made by the home buyer (and how agents can help their buyers with these choices).

Video – 10 min	<b>Reading the Sales Contract (like a lender)</b>
<b>Handout</b>	Staying Organized: the Sales Contract Summary Sheet
Video – 10 min	<b>Reading the Loan Estimate (like your home buyer)</b>
<b>Handout</b>	Initial Lender Disclosures that your buyer sees (and what they all mean)
Video – 10 min	<b>The Initial Underwrite (why it matters the most)</b>
<b>Handout</b>	Common Conditions from Underwriting
Video – 10 min	<b>Getting CTC and Preparing for Closing</b>
<b>Handout</b>	Understanding the Closing Disclosure
Quiz – 5 min	Quiz for Unit 1 (10 questions)

## **Part 2 – Basics of Pre-Approval (45 minutes)**

In part two, we build upon the concepts we learned in part one by covering the entire process of a home buyer becoming Pre-Approved. While the lender will perform this step, knowing what Pre-Approval covers will help you submit stronger and more competitive offers. We will cover the top 5 questions every agent should ask their prospective buyer, steps in the Pre-Approval process, and requirements the buyer must satisfy to maintain Pre-Approval while looking for homes, and while under contract (and how agents can help buyers avoid a voided Pre-Approval).

Video – 10 min	<b>Top 5 Questions to ask your buyer to pre-qualify</b>
Handout	Getting To Know Your Buyer
Video – 10 min	<b>The Pre-Approval Process</b>
Video – 10 min	<b>The Loan Application – The Why Behind Each Question</b>
Handout	Sample Loan Application
Handout	Common Requested Documents for Pre-Approval
Video – 10 min	<b>What Buyers Must Do to Maintain Pre-Approval</b>
Handout	Handout for Buyers to Maintain Pre-Approval
Handout	Sample Pre-Approval Letter
Quiz – 5 min	Quiz for unit 2 (10 questions)

## **Part 3 – Underwriting (55 minutes)**

In part three, we peel back the mystery of lender underwriting to discuss the two main areas of focus: Ability To Repay and Verified Assets. We will cover the common types of documents requested of the home buyer, calculate a Debt-To-Income ratio, find how to estimate the housing payment and the cash needed at closing. We'll wrap up by sharing the source of all underwriting knowledge: the investor guidelines (and how to understand some of them).

Video – 5 min	<b>What Is Underwriting?</b>
Handout	Guidelines: Where the Underwriters go to find the answers (Conventional, FHA, VA, USDA)
Video – 10 min	<b>Calculating Income and Debts</b>
Video – 5 min	<b>Finding the Housing Payment: PITIA</b>
Handout	What Will My Payment Be?
Video – 5 min	<b>Putting Together the DTI</b>
Video – 10 min	<b>AUS and Determining Pre-Approval Prior to Contract</b>
Video – 5 min	<b>The 6 Determinants of Cash Due at Closing</b>
Handout	How Much Cash Do I Need?
Handout	Types of Acceptable Assets
Video – 10 min	<b>Finding the Best Loan Program (FHA or Conventional, FHA or USDA, 3% or 5% Down Conventional)</b>
Quiz – 5 min	Quiz for unit 3 (10 questions)

#### **Part 4 – Real World Scenarios (55 minutes)**

As we wrap up the course, we'll apply the concepts we learned with two, real-world scenarios. You'll learn how to compare the FHA and Conventional loan programs for Joseph, a first-time buyer. We'll discuss how to look at AUS Findings to determine a Pre-Approval, before going under contract with Sarah. Because each Pre-Approval is different, it's important to know what questions to ask the home buyer's Loan Officer to gain a better understanding of purchase limitations. We complete the course with guidance on how to discuss Pre-Approval with the Loan Officer, gaining authorization from your client to discuss their financial status. The Final Exam completes the 200 timed minutes of this CE course.

Video – 10 min	<b>Joseph needs to decide between FHA and Conventional (County Loan Limit)</b>
Video – 10 min	<b>Sarah needs to confirm she is able to buy with a high DTI and limited Assets (AUS Findings)</b>
Video – 10 min	<b>Talking to the Loan Officer about Pre-Approval</b>
<b>Handout</b>	Questions to ask your Loan Officer when getting Pre-Approved: DTI, AUS, Verified Assets, Loan Program Unique Guidelines. Basic differences between lenders: retail and brokers. Borrower's authorization to release information to agent.
Exam – 25 min	Final Exam (25 questions) testing basic math, look up underwriting guidelines, calculate PITI, know difference between loan programs.

#### **Notes for TREC**

Students will register for the course online through our online learning center with <https://mortgagemission.learnworlds.com/>. Student identity will be confirmed with credit card name matching TREC license name. Course progress timer will pause for 10 minutes of inactivity. Students may ask questions from the instructor with an online student community center.

The course is relevant to the needs of Texas real estate agents by providing them with a deeper understanding of the home financing process, which will help agents act as a more confident and knowledgeable fiduciary to their clients. The cost of the course will be \$50 for 4 hours of CE, with discounts periodically made available for bulk orders. The course will include the following elements:

- 14 handouts
- 4 videos of 5 minutes (20)
- 14 videos of 10 minutes (140)
- 3 quizzes and 1 final exam (40)
- 200 total classroom timed minutes (50 minutes per CE hour)