

# RTC Mortgage Corporation



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## ***Are Underwriting Guidelines Too Strict? Or, Are Loan Originators Too Dumb?***

It's been estimated that an average one-third of all home sales fall out. Mortgages being declined or unreasonable conditions of approval are where most real estate agents and borrowers place the blame. Is that blame fairly placed or are the Loan Originators to blame for not knowing the guidelines of the loans for which they were hired to originate? Read on for a different point of view.....

A few years ago when the mortgage and housing markets and the overall economy started to tumble, the underwriting guidelines were changing almost daily. Lenders couldn't keep up with all the changes made by Fannie Mae, Freddie Mac and FHA – the three housing agencies that are now part of our federal government and account for more than 90% of all mortgage money. Loan Originators, Processors & Underwriters were trying to figure out what could be approved, what should be declined and how to properly document a loan file.

However, more recently the guidelines have stabilized with relatively few changes in the past year or more. So, if the guidelines aren't changing any more, shouldn't we as loan originators be expected to know what can be approved and what shouldn't? And shouldn't we know what documentation is required to properly assemble a loan that will be approved when it reaches the underwriting department?

The mortgage process starts with the loan originator. And as the saying goes, "the buck stops here". A good loan originator should know by the completion of a loan application and immediate review of the borrower's income, assets and credit whether a loan can be approved. And he/she should also anticipate what documentation an underwriter will require to issue a loan approval without a list of conditions a mile long.

### ***Why Do So Many Loan Applications Get Rejected?***

In today's mortgage climate where "no-doc" loans no longer exist, a loan originator should possess the following qualities:

- Knowledge of underwriting guidelines
- Expertise in knowing what documentation needs to go into a file and what doesn't
- Control of the file during the loan process

Knowledge and expertise come from experience. An experienced loan originator should know how to review and analyze the borrower's tax returns, credit report, and other financial information. If the originator merely takes the application and hands it off to a processor never to look at it again, that loan has a lower probability of being approved. The necessary loan documentation should be gathered from the borrower within the first few days and analyzed upon receipt. If it is, then there's no reason to be surprised by an underwriters request for more documentation and explanations later. A pro-active loan originator will have already identified the potential weaknesses in a file and addressed it long before it gets to the underwriter.

By keeping control of the file the loan originator can monitor the documentation as it is received. Constant review helps to identify a potential problem earlier in the process and allows time to request any additional documentation to overcome the issue. Larger companies that utilize centralized processing located in another part of the country (or in some cases in another country) lose the ability to monitor the file as it develops.

The loan originator in today's mortgage market needs to be more than just an order-taker. Knowledge, understanding, expertise and control of the file will all serve to mitigate problems that will otherwise arise in a later stage of the loan process. Too many loan files that are declined could have been easily approved if the loan officer had taken the time to review the file upfront; scrutinized the documentation; and, identified and addressed the concerns with the borrowers, loan processor or underwriter.

Relying only on an experienced knowledgeable, professional and local loan originator will help to improve the likelihood of your loan closing.

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*Richard T. Cirelli is a 35-year veteran of the mortgage industry. He is the owner of RTC Mortgage Corporation, a full-service mortgage company based in Laguna Beach. He is a Certified Mortgage Planning Specialist.*

*RTC Mortgage offers all types of Residential and Commercial real estate financing. Rick can be reached at (949) 494-4701 or [Rick@RTCMortgage.com](mailto:Rick@RTCMortgage.com) Please don't hesitate to call for expert mortgage advice and outstanding customer service. You can also visit his website at [www.rtcmortgage.com](http://www.rtcmortgage.com).*

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