GRANITE FINANCIAL
Real Estate Loan Consultants

TIPS REGARDING YOUR REFINANCE

Please read through this list so that you are aware of certain lender requirements. I hope to make the refinance process as easy as possible; one of the best ways I can do that is to set expectations. Let me know if you have any questions on the below.

Homeowners Insurance:

Coverage Requirement: The lender will review your current insurance policy. If your coverage amount is insufficient, they will ask you to increase it prior to issuing out loan documents. They get coverage information directly from the appraisal report under the "replacement cost new" category (how much it will cost to rebuild your home if it is burned down). If your current coverage does not meet the replacement cost new per the appraisal, you will have to increase it.

Time Remaining on Policy: If you do not have an impound account, the lender requires at least 3 months are remaining on the policy from the date of close, so you also may have to prepay some of your insurance premium. This is not a cost of refinancing; merely paying for something a little ahead of when you might naturally pay.

For Condos or Townhouses: If you own a condo or a townhouse, HO-6 ("walls-in") insurance is required if not covered by the development. Few developments cover it, so this is a likely cost if you do not already have a policy in place. The minimum coverage they look for is 20% of the appraised value.

Your Appraisal Inspection:

If you have any unpermitted work or additions in your home, please let me know prior to the appraiser coming out and us locking in on an interest rate. Unpermitted work is often not allowed, but it depends on the scope of the work.

If you have any construction or remodeling going on in your home, we may need to wait until it is completed. Keep me informed on the type of work you are undergoing and I can advise accordingly.

Carbon Monoxide Detector:

As of July 2011, it became law that each home must have a carbon monoxide detector. Make sure it is installed in your home prior to the appraiser's inspection. If you own a multi-story home, there must be one on each floor. If you do not have one installed at the time of the appraisal, then you will be required to purchase one plus the appraiser will go back out to certify it has been installed, and will charge an additional $125 for that re-inspection.

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Funds Needed to Close:

Any check that you write at the title company must come from a verified bank account. For instance, if you submitted your loan with a Wells Fargo bank statement, you should write your check from this account, not from a Citibank account that was never provided.

Deposits in your bank account: any deposits that are not clearly from your employer must be "sourced" – you must provide an explanation of the deposit and a copy of the canceled check. Large cash deposits that cannot be verified, or cash advances against your credit card are not acceptable. The government now requires that we monitor for the possibility of money laundering, which is the reason for sourcing deposits.

This can be a very sore spot and cause last minute funding issues. For instance, if you submit a Wells Fargo checking account with a balance of $3,000, and the check you write to close the loan is $3500, you will be required to provide a new statement or printout with your current balance, showing you had those funds available. Any deposits will need to be sourced. So if you transferred funds from one account to another, you must show the account you transferred funds from to correspond to the matching deposit. That new statement must not have any non-acceptable large deposits either.

For cashier's checks, please have the bank reference your name and account number from which the funds were withdrawn and provide a copy of the transaction summary.

Do not take on new debt.

I know that the temptation is strong, especially if you're buying a new home, to purchase new furniture, new appliances, new home accents, etc. And of course all these companies are offering easy terms with 0% interest and no money down. The problem is that lenders will often re-pull your credit and a slew of new purchases will both decrease your credit score (possibly affecting your interest rate) and increase your "debt-to-income" ratio (affecting how much of a loan you can qualify for). You will also then need to scramble to provide documentation of your new account number, balance and limit. Just hang tight and wait until the loan closes.