

HELP FOR NEW YORK STATE HOMEOWNERS CONCERNED ABOUT FORECLOSURE

How to Develop a Good Loan Package

This fact sheet is not meant to replace training on residential lending practices or loan packaging services. Any organization considering such services must obtain the proper training and certification first.

Some housing counseling agencies offer loan packaging services for mortgage loans. Primarily, this is done in an effort to assist clients, but providing this service also helps housing counseling agencies to build relationships with lenders and create opportunities for revenue through fees paid.

Creating Successful Packages

Generally speaking, loan packaging entails previewing, preparing and submitting a complete package of household financial details to a funding source as part of the home purchase process. Although many housing counseling agencies do what could be considered loan packaging for default or foreclosure refinancing cases, most lenders consider that work to be part of the overall counseling service and not an additional activity. This fact sheet is therefore focused on packaging for purchase.

To build a successful loan packaging program for purchase, housing counselors must be able to assemble a package that provides what the lender wants and needs.

The Right Information. The loan package must be comprehensive, but counselors must only provide what the lender wants. Typical contents will include financial statements, bank statements, income verifications, credit histories, amount of cash on hand, history of payments and so on. Review the lenders' rules and guidelines and

be sure to include everything asked for. There are usually very specific steps in the process; be sure to follow them!

A Loan Summary. Some lenders appreciate a brief loan summary with the package, while others do not expect or need a summary. The loan summary provides important details on the application and is able to stand on its own. It makes a case for the loan. It provides information on the family and its financial strengths, the location of the property and why the transaction makes sense. The first sentence is the most important; it must make the lender want to read the whole narrative. Say right from the start how the loan will help the lender, how it will make money, how it will help the lender meet its goals and support special initiatives. Although the summary is meant to provide detail, limit it to a few paragraphs.

Clarity. All components of the loan package must be neat, crisp and easy to read. It should look professional. Use a simple and uncluttered layout for the table of contents and loan summary. Avoid fancy font, but use bold letters to draw attention to certain areas. If a narrative is included, be brief and to the point. State your purpose, and then include only pertinent details.

Superb Organization. The package must be precisely organized. Loan packages usually involve a great deal of paper, so create a cover sheet or table of contents that provides a clear indication of what's where. Make sure papers are in the correct order and that there are no "extras" that the lender does not ask for. You can insert tabs

in the package to make it even easier for loan officers to find the information they are looking for. Never give loose papers that could result in lost items or papers out of order. Three-hole punch each sheet and put all documents in a folder or binder with clips.

An Electronic Copy. If possible, create an electronic copy (CD or flash drive) of the package to accompany the paper copy. This allows the lender to easily print out certain pages for review or use a projector to share details. Make sure the electronic copy exactly matches the paper copy.

Timeliness. Timing is critical. Consider the lenders' expectations and get the package to them on time. Be sure to process quickly since some items such as bank, income and credit statements can go stale during the process and need to be updated.

Developing Relationships with Lenders

Once you have developed a process for creating a good loan package, reach out to lenders and let them know about the service. Provide a testimonial or statement of support from a local lender or city partner who can vouch for your integrity and ability to provide excellent service. Know that it is acceptable for you to charge a fee for your loan packaging services. Base your fee on local rates or a percentage of the loan base.

Legal Considerations

Over the past couple of years, lending guidelines and regulations have changed a great deal, so any agency that wants to offer loan packaging services must first check with its state department of financing to see what credentials are needed. An organization may need to be registered or licensed to offer loan packaging, or counselors may need to be certified as loan originators to participate

in the process. Check state regulations and be sure to have the proper qualifications before offering this service. Organizations also need to check with their attorney to make sure there are no implications to their liability insurance coverage.

Benefits of Offering This Service

Providing packaging services gives the agency control over document processing, which can expedite the underwriting process and streamline the process for consumers. Loan summaries, if included, give counselors the opportunity to "make a case" for the loan package. Loan packaging services can also generate fees for the organization.

Training Options

Professional training is critical for any housing counseling organization that wants to offer loan packaging services. Housing counselors must understand new and changing regulations and be prepared to offer good service. Look into reputable training options for counselors and make sure they meet the standards of local lending institutions, state guidelines and federal compliance. NeighborWorks America offers an excellent course called Advanced Residential Lending (HO326) that covers these topics. Learn more at

<http://www.nw.org/network/training/courses/default.asp?course=ucrsdetailAll1.asp?course=HO326>

Resources for Packagers

Most lenders use specific software for packaging, which they will share with you; however, there may be a cost for it. Adaptable electronic loan packaging programs are now available that can help counselors provide packaging services. HOPE Loan Port is a great example:

www.hopeloanportal.org.