

Property Search

For Sale For Rent

Min. Price (\$) Max. Price (\$) Bedrooms Property Type

Enter a country, city, neighborhood or US ZIP

Any Any Any Any Go

Help / FAQ | Advanced Search »

Show Only: Open Houses New Developments

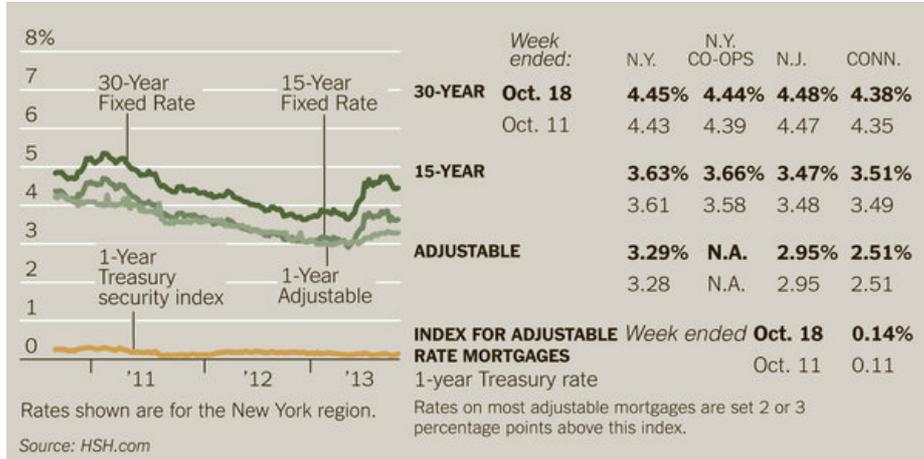
More In Real Estate

Great Homes & Destinations Commercial Real Estate



MORTGAGES

Learning From Rejection



By LISA PREVOST
Published: October 24, 2013

The New York Times

A rejection from a mortgage lender is no cause for shame. Instead, think of it as a call to action.

Related

More Mortgage Columns »

Connect With Us on Twitter

For news and features on real estate, follow @nytrealstate.



Rejected borrowers should find out exactly why their loan application was denied, then try to remedy or work around the problem. Lenders are required to detail the cause for denial in a formal rejection letter.

In reviewing the letter, borrowers should keep in mind that the larger banks often have overlays, or tighter

requirements, than the minimum qualification standards set by Fannie Mae and the Federal Housing Administration, said John Prom, the Manhattan branch manager for the Real Estate Mortgage Network. For example, the bank's credit score cutoff might be higher than F.H.A.'s.

A borrower rejected by a big bank might be approved elsewhere. Mr. Prom recommends taking your application paperwork to an experienced loan officer for a second opinion. "Last year I picked up a couple of deals because some of the larger banks wouldn't do 20 percent down on a two-family," he said. "They wanted 25 percent down. We were able to do it for 20 percent."

If the rejection is based on insufficient income, then the borrowers might simply downsize their expectations of how much house they can afford. "The next question should be, well, how much do I qualify for?" said Don Frommeyer, the senior vice president of Amtrust Mortgage Funding in Carmel, Ind., and the president of the National Association of Mortgage Brokers.

When it comes to refinancing applications, appraisals are often the sticking point. If one lender denies your application on the basis of an appraisal that came in low, it may make sense to try another bank "if you truly feel the value is there and your credit and income

FACEBOOK

TWITTER

GOOGLE+

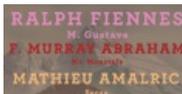
SAVE

EMAIL

SHARE

PRINT

REPRINTS



WE SAVED THE BEST FOR LAST
THE UPPER EAST SIDE FOR UNDER \$1,600/SF



Azure

SPACIOUS 2, 3, AND 4 BEDROOMS WITH SPECTACULAR VIEWS, AMENITIES, AND FINISHES. ONLY A FEW HOMES REMAIN.

- 1,205 SF 2 bedrooms from \$1,750,000
- 1,818 SF 3 bedrooms from \$2,548,000
- 2,952 SF 4 bedrooms from \$4,628,000
- Penthouses from \$6,200,000 to entire 34th floor penthouse \$13,520,000

SEE MORE →

MOST EMAILED

RECOMMENDED FOR YOU

- The Wolf Hunters of Wall Street
- Panel's Warning on Climate Risk: Worst Is Yet to Come
- Panel's Warning on Climate Risk: Worst Is Yet to Come
- PAUL KRUGMAN Jobs and Skills and Zombies
- An 8th Grader, a Gun and a Bus Rider in the Way
- EDITORIAL Abstract Ideas Don't Deserve Patents
- U.S. Is Weighing Release of a Spy for the Israelis

are decent," Mr. Prom said.

If the rejection letter identifies a credit issue, the borrowers should get a copy of the credit report used by the bank. They can do that by asking their lender for the phone number of its credit report retrieval service, and contacting the service directly, said Tracy A. Becker, the president of North Shore Advisory, a credit education and restoration company in Tarrytown, N.Y. The service is required to provide the borrower with a free copy of the report.

Whether the problem is a negative credit history, high credit-card balances, or a lack of credit history, borrowers should try to figure out — on their own, or with the help of a professional — how to raise their FICO score.

Seemingly inconsequential credit events like a medical collection for \$100 can diminish your score enough to keep you from getting a loan, Ms. Becker noted. But she added: "Credit is never terminal. It can always be fixed or improved."

Borrowers whose credit took a beating from a foreclosure, a bankruptcy or a short sale may not have to wait as long as they think to qualify for another loan if their financial problems were a result of job loss during the recession. The F.H.A. recently issued rules for a "Back to Work" loan program that extends borrowing privileges to otherwise ineligible applicants who can prove that their past financial problems were beyond their control, and that they are back on more sound financial footing.

"F.H.A. recognizes the hardships faced by these borrowers, and realizes that their credit histories may not fully reflect their true ability or propensity to repay a mortgage," the agency said in the Aug. 15 mortgagee letter laying out the program's underwriting standards.

So far, lenders have been hesitant to offer the program, according to Mr. Frommeyer. "Just because F.H.A. says we can do that doesn't mean the lenders are going to allow it," he said. "They want to make sure they have good quality loans."

A version of this article appears in print on October 27, 2013, on page REB of the New York edition with the headline: Learning From Rejection.

Facebook Twitter Plus Save Email Share

Get 50% Off The New York Times & Free All Digital Access.

Get Free E-mail Alerts on These Topics

Real Estate and Housing (Residential) Mortgages

Ads by Google what's this?

Check VA Loan Eligibility

Find Out If You're Eligible Now.
VAHome Loan - \$0 Down. Get a Quote
www.veteransunited.com



8. OP-ED CONTRIBUTOR
Is Canada Tarring Itself?



9. Cobalts Were Seen as Lemons From Start, State Data Shows



10. Health Care Signups Reach Frenzy in Final Day to Enroll

Log in to discover more articles based on what you've read.

Log In

Register Now

What's This? | Don't Show



U.S. agency knew about G.M. flaw but did not act

ALSO IN BUSINESS »

- Hollywood's antipiracy efforts add new voice
- For opening day, a campaign to love baseball

nytimes.com

BUSINESS

ADVERTISEMENTS

Weichert.com
Realtors, Real Estate Listings,
Homes for Sale, and Mortgages

The New York Times

HOME DELIVERY
+ FREE ALL DIGITAL ACCESS

SAVE 50%

Ads by Google

what's this?

3 Credit Scores (Free)

View your latest Credit Scores from All 3 bureaus in 60 seconds for \$0!
freescore360.com