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Sweep Away Credit Confusion

Brokers are in the best position to help educate consumers about what lenders seek

By **Alan Baia,** managing partner, Cogent Road Inc.

On average, it takes 30 to 60 days to move borrowers from loan application to closing. During this period, mortgage brokers can offer their clients insight into the often-confusing world of real estate finance.

By showing clients how their credit affects their chances of receiving a loan, mortgage brokers can help create credit-conscious consumers who are more likely to make sound financial decisions — a quality that can make them more attractive to lenders.

A fundamental item you should discuss with consumers is their credit score. This widely misunderstood number can make or break a mortgage loan. Sometimes, there may be errors in clients' credit files that adversely affect their scores. These errors can potentially lower credit scores and paint an untrue picture of your clients' credit history. Credit-proofreading tools can help you uncover credit-data and -usage errors. By correcting the errors and recalculating the score, your clients may see a higher credit score.

Another hurdle to cross is documentation. You can take extra steps to help your clients understand what's needed, including helping them understand income tax forms and special documentation they may need based on circumstances such as divorce or self-employment. Instead of simply giving them a checklist of necessary forms, explain why each one is necessary.

In addition, technology has made it easier to help applicants understand the underwriting process. Tools are available that can predict, interpret and explain potential underwriting conditions. They also can help you educate consumers as to the typical requirements they must meet to receive a conforming-loan product.

Often, brokers cannot determine what components within the applicants' credit files may have triggered certain findings. As such, they may turn away borrowers rather than comply with the findings' requirements.

Not only can new technology tools help determine which credit components triggered the findings, but they also enable brokers to gather documentation from borrowers that may address the projected findings proactively. This technology also can serve to position brokers as consultants who can predict when an applicant simply will not meet specific loan requirements because of issues outside of the credit score.

Further, these tools allow brokers to determine more accurately whether extenuating circumstances triggered specific findings. With this knowledge, you may move a loan forward by documenting an applicant's specific circumstances. For example, if you identify a finding related to a specific late mortgage payment, you can document that the late payment was caused by an unanticipated hospital stay.

Finally, brokers also are in the position to offer guidance on other issues such as debt management. Although you cannot give financial advice unless you are certified to do so, providing consumers with an interactive debt-reduction calculator lets them determine how applying a specific amount of money to their revolving debt can affect their expense ratio. You can thus work with borrowers to craft a long-term debt-reduction plan that ultimately can beef up their savings. Brokers who offer guidance and credible information will more easily turn customers into returning clients.

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