

Jacksonville Area Legal Aid, Inc.

Fair Housing Advocacy Center

Fair Housing: Financing Your Home



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What to Expect When You Apply For A Loan

Before you apply

A lender should be happy to talk with you about all the loan products they have available, and the lending qualifications. Unless it becomes clear from the discussion that you do not qualify for any of their products (for instance, you may not have enough money for a down payment), they should provide lending information. They should give you information about how to apply for a loan, and what to bring with you when you come.

Filling out the loan application

Be prepared to be asked for a great deal of information about your finances - and be prepared to provide documentation.

You will have to make a decision about what kind of loan to apply for - and you should be given enough information to make the decision for yourself. If the loan officer automatically assumes that you want a particular kind, such as an FHA loan, that may indicate a problem.

You should expect the loan officer to help you fill out the application - to ask questions that will help you remember things you may have forgotten (like the fact that you have savings bonds or other assets), and to give you an opportunity to explain issues that may present problems, such as slow payments on your credit history. If you have too many debts to qualify, the loan officer should find out when they will be paid off - short term debt should not be counted.

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After you apply

You wait. Loan processing is never quick, and if interest rates are particularly low and the lender is very busy, it can take even longer. Unless there are problems however, you should hear something within three to six weeks. You may be asked to provide additional information during this time. If this is so, provide it, but keep a record of when and what you were asked for by the lender. Additionally, when you provide information, attach a letter stating what you are providing, why you are providing it, and when. Example: As you requested in your letter of [date], enclosed is a copy of my tax forms for [year].

If you are denied

Find out why you were turned down, and write down everything you are told and who told you. Make sure you get a copy of your "adverse action" letter. The lender is required by law to send it within 20 days of the denial, giving all the reasons for which you were turned down. If credit is the problem, get a copy of your credit report. If the appraisal came in too low, get a copy of the report. The lender is required to give it to you, if you ask for it in writing.

There are many legitimate reasons to turn someone down for a loan, like poor credit, or insufficient income, or too many debts. Not every denial or delay is based on discrimination. If you think your credit is good, or if you can explain a past credit problem, or if you are denied a loan for any reason OTHER than your income, debts, or credit history, be concerned.

What You Should Do If You Think You've Been Discriminated Against

Take notes

Try to get everything in writing, and call FHAC. FHAC will investigate the problem. We may send testers - people who pretend to want a loan - to the lending institution to see whether everyone is treated the same way. We will go over your qualifications and financial situation to see what the problem might be.

We will explain how the law protects you and what you can do. We will assist to make sure you are being treated fairly. There is no charge for our services.

If discrimination is a problem

Although every situation is different, here are some possible results:

- ❖ You may get the loan at a favorable rate.
- ❖ You may be reimbursed, or compensated for the extra money you had to spend as a result of the discriminatory acts.
- ❖ You may be compensated for all of the pain, suffering, and humiliation you and your family experienced as a result of the discrimination.
- ❖ The lender may be required to have fair lending training and change the way he or she does business.
- ❖ They may have to make a special effort to make loans to the type of people who were denied loans illegally.

Know When To Suspect Discrimination

- ❖ Lenders who discourage you from even applying, no matter how nicely they put it.
- ❖ Negative statements or a denial based on the neighborhood, rather than the value of the house.
- ❖ A lender who assumes you want a certain kind of loan, such as an FHA loan, before seeing your qualifications.
- ❖ A lender who doesn't help you make your best case when you apply for a loan.
- ❖ Long delays and endless and repeated requests for additional information.
- ❖ Changes in the terms and conditions of the loan, such as raising the interest rate, requiring a larger down payment, or changing a 30 year loan to a 20 year loan.
- ❖ A refusal to make loans under a certain amount, such as the cost of your house.
- ❖ A low appraisal that talks about the neighborhood or the age of the house.

It is against the law for someone to deny you a loan to buy, repair or refinance a house - or to charge you more - because of your race, color, religion, national origin, sex, disability, or familial status.

Florida Relay

(for hearing and speech impaired)

1-800-676-3777(English)

1-800-676-4920 (Spanish)

General Information About Lending

Banks, mortgage companies, credit unions, savings and loans - all make mortgage loans. And they all have the same goal - to lend money to people who are going to pay it back on time. They will all require proof of adequate income and a history of paying your bills, so that they can determine whether or not you are a good risk. They will need proof that the house you are buying is worth what you're paying for the property. But, they should be able to tell you exactly what their standards are. The most important are:

- ❖ The percentage comparing your monthly income to the size of the monthly mortgage payment, including taxes and insurance (PIT). This is called the "front end ratio."
- ❖ The percentage comparing your monthly income to all of your monthly debt, including the mortgage payment (the "back end ratio).
- ❖ What constitutes a reasonable credit history.
- ❖ How much money is required for closing (and how much they want you to have left over).

Each institution may offer many different loan "products," with different requirements (such as how big a down payment you will have to make) for each one. "Conventional" loans usually have a lower rate, but require a larger down payment. Government-insured loans, such as FHA or VA loans, cost more over the long run, but may require only a minimal down payment.

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