

# Wise Advice from The Loan Goddess

## "QQ" Questionnaire

"Quick Qualifiers (QQ)", "Alternative Documentation (AltDoc)" and "Low Documentation (LoDoc)" loans are available on many loan products. QQ's require less income documentation than "conforming" loans. What is a "conforming" loan? Generally, a 30 year fixed rate mortgage secured by the borrowers' primary residence that is underwritten using standards that "conform" to those set by Fannie Mae and Freddie Mac. Not every borrower's income can be documented in the conforming way. This is especially true of self-employed entrepreneurial types. So, use this questionnaire to get "apples-to-apples" loan comparisons.

- What is the minimum FICO score? FICO stands for Fair Isaac Company, and they wrote a software program that mines the data gathered under your name at all three credit repositories (EquiFax, Experian, TransUnion) and comes up with a numerical rating of your credit history. A middle score of 680 or above means you have "A" credit. Some QQ programs demand 700 plus.
- What is the reserve requirement? Since you are not supplying income documentation, most lenders expect there to be at least 6 months worth of the stated income held in some sort of bank/stock/retirement account with your name on it. And the money needs to have been in this account for at least the last 2 months - this will be verified via a 2 month average.
- Will I have to sign an income tax return release form? Look for IRS form #4506 or #4506T". It gives your lender permission to order tax returns or just the "AGI" (Adjusted Gross Income) number directly from the IRS. They will implement this as a Quality Control measure on any loans that go into default, or on a small percentage of incoming applications.
- How will the Lender verify my employment? Even the QQ product requires that the borrower have a job, or to be more specific, the ability to verify that the source of revenues coming into the household has been a steady source of income for the last 24 months. For the self-employed, 2 years of business licenses, or a letter from the borrowers' CPA stating that they are indeed self-employed, will fill this requirement. Also, a telephone number that connects to a business, pre-printed stationery even an ad in the telephone directory will be helpful. Those being paid via W-2/payroll simply supply telephone numbers for former and current employers that can verify when and for how long the borrower was employed there.
- What is the note rate at **zero** points? A point is one percent of the loan amount, is charged up front, and can be used to buy down the rate - you don't have to pay points on fixed rate mortgages, you may have to pay points on the adjustable rates, but the low start rate may be worth it.
- Is there a prepayment penalty? If so, how much? For how long? Can it be waived?
- How often does the rate and payment adjust? If the rate and payment adjust monthly, look for potential negative amortization. These ARMs are useful, used wisely, but make it difficult to obtain secondary financing later on or as a piggyback.
- What is the lifetime cap? What is the maximum rate I could possibly pay over the 30 years that I have this loan? This is usually expressed as a percent over the "start rate", these get added together to come up with this maximum rate.

Ask these questions of any loan officer before giving away confidential information or non-refundable fees. Then, you are armed with truly comparable products for your shopping convenience.

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