

Chicago Tribune

www.chicagotribune.com/business/la-fi-harney-20100509,0,447034.story

Buyers scramble to close deals by June 30 deadline to get federal tax credit

By Kenneth R. Harney
May 9, 2010

Reporting from Washington — For home buyers who scrambled to meet the April 30 federal tax credit deadline for completed contracts, there's a new challenge looming: Can they nail down their mortgage financing and get to closing before the program terminates?

As a result of toughened underwriting standards, confusing new federal disclosure rules, appraisal regulations and a long list of other potential obstacles, meeting that deadline could be tougher than expected. In fact, mortgage industry leaders say the clock will run out on some buyers.

Under the extended first-time purchaser and repeat buyer credits — the former carries an \$8,000 maximum amount, the latter \$6,500 — all deals must close by June 30. This shouldn't be a problem for buyers who've already submitted their applications, or who apply and are approved in the coming week or two, lenders say.

But credit-seekers who assume that closings can be done in less than 45 days — as was often the case in recent years — may be in for unpleasant jolts. And if a borrower's needed turnaround time from application to closing is 30 days or less, even the most resourceful lenders may not be able to deliver.

Based on discussions with national mortgage lenders, banks and mortgage brokers gearing up for a wave of applicants seeking to meet the June 30 deadline, here is a quick guide to what you need to know.

— Full documentation is now the rule, and assembling the documents you need can eat up a lot of time. Lenders shell-shocked from the mortgage bust want proof of everything — income, assets, tax returns, reserves and source of down-payment cash. If part of your down payment is coming from family members or friends, a copy of a gift letter no longer may be enough. Underwriters may want to see hard proof that the gift-givers have the spare money and that they aren't expecting it to be repaid as a short-term loan. Any omissions or seeming irregularities on income or assets will trigger underwriting red flags and potentially add days to the process.

— Property types matter. If you're buying a condominium unit, make sure the building or project qualifies under toughened Fannie Mae and Freddie Mac rules. If not, the lender may need to begin the time-consuming task of obtaining and reviewing the project's

underlying legal documents, finances, unpaid homeowners association dues and other potential issues.

— Appraisals can scuttle financings and even sales transactions if they come in low because the appraiser used distressed home sales and foreclosures as comparables. You may end up needing more than one.

— Anticipate traffic jams and regulation-driven snares at title and escrow firms in the weeks and days preceding the June 30 deadline. **Peter Birnbaum, president and chief executive of Attorneys' Title Guaranty Fund in Chicago, said new federal loan disclosure rules have the potential to delay closings nationwide. For example, if the final HUD-1 settlement sheet contains discrepancies from the good-faith estimates issued by the lender upfront, expect delays, he said.**

Jay Delmont, vice president of Freedmont Mortgage in Hunt Valley, Md., said home buyers who seriously want to close in time need to get the process moving with lenders immediately to avoid the late-June crush. The "main concern," Delmont said, "is that a lot of contracts are being written for a June 28-30 settlement and people need to schedule a slot" with title or escrow agencies as early as possible.

Bear in mind, too, that the type of lender you choose could affect your ability to get to closing on time. Local brokers and small lenders typically cannot provide written guarantees that they can close loans by specific dates. But some mortgage banks and large national lenders — Wells Fargo, for example — are offering such commitments to credit-approved applicants. Greg Gwizdz, Wells Fargo executive vice president for mortgage operations, said the bank would pay one month of principal and interest if it failed to meet a closing deadline promise.

Other large lenders, such as Bank of America, say they normally can get loans closed on time — even with all the latest regulatory challenges. Henry Fulton, Bank of America Home Loans fulfillment executive, said "we feel very confident with our promise to deliver," as long as borrowers get documents in on time and get the ball moving early.