

BUSINESS

New system to speed up mortgage application evaluations

Special to Sentinel-Voice

WASHINGTON — A powerful new computerized loan evaluation system will cut the time it takes to evaluate a homebuyer's application for an FHA-insured mortgage from four weeks to two minutes, dramatically reducing paperwork and enabling more families to qualify for FHA mortgages, Housing and Urban Development Secretary Andrew Cuomo announced Tuesday.

"We can now evaluate an FHA mortgage application in just two minutes — more than 20,000 times faster than before," Cuomo said. "We're changing the process of getting an FHA mortgage from an exhausting marathon to a 50-yard dash, and we're helping more families cross the finish line."

Speaking at a news conference with Freddie Mac Chairman and CEO Leland C. Brendsel, Cuomo said he has signed an agreement with Freddie Mac that will enable FHA to use a new version of Freddie Mac's Loan Prospector® system to evaluate homebuyer applications for FHA mortgage insurance in just two minutes.

"FHA will now be able to serve more American homebuyers faster, better and for less money," Cuomo said.

Brendsel said: "Freddie Mac created Loan Prospector as part of our ongoing efforts to reduce costs for mortgage borrowers and provide tools for lenders to expand their markets."

The Federal Housing Administration is part of HUD and provides insurance for mortgage loans to expand homeownership opportunities, particularly among low- and middle-income families. FHA currently insures about 750,000 mortgages each year. Since being created in 1934, FHA has helped more than 24 million American families become homeowners.

Freddie Mac is a government-sponsored enterprise — a stockholder-owned corporation with a Congressional charter — that buys mortgages from lenders, packages them into marketable securities and sells them to investors. Freddie Mac was created by Congress in 1970 to create a continuous flow of funds to mortgage lenders in support of homeownership. Over the years, Freddie Mac has helped finance one in six American homes.

Cuomo said Loan Prospector for FHA will benefit homebuyers by:

- Reducing anxiety caused

by uncertainty and long delays in the approval process for FHA mortgage insurance.

- Cutting paperwork that homebuyers must fill out to qualify for FHA insurance by eliminating the need for as many as 25 of the documents now required.

- Using a more accurate loan evaluation system to enable thousands of borrowers now unable to qualify for FHA mortgage insurance to qualify for the insurance each year.

Cuomo said the new FHA version of Loan Prospector

will be available immediately to all FHA-approved direct endorsement lenders who use Freddie Mac's Loan Prospector. These lenders make the vast majority of FHA-insured home mortgage loans each year. Over the course of this year, FHA will work with Freddie Mac to develop FHA's own high-speed loan evaluation model that will then be available to all FHA lenders.

If Loan Prospector for FHA shows that a homebuyer does not initially qualify for a particular loan, the application

will be referred back to the lender. The lender will then review the application to determine if special circumstances will permit the loan to be approved or if the borrower can take additional steps to qualify for the mortgage.

For example, people whose income dropped temporarily due to short-term unemployment or who faced unusual one-time expenses for health care or other emergencies could qualify for an FHA-insured mortgage even if Loan

Prospector initially determines they don't meet the requirements.

"We'll have high-speed evaluation of loans, but not high-speed rejections," Cuomo said. "When borrowers need help to qualify for loans, they'll deal with people — not computers."

Loan Prospector logs on to credit databases and performs a computerized evaluation of a homebuyer's loan request, credit history, income, assets and debts to determine if the person qualifies for a mortgage

loan — all in just two minutes.

The same evaluation process — known as underwriting — takes about four weeks when performed by a lender without the aid of a computerized loan evaluation program.

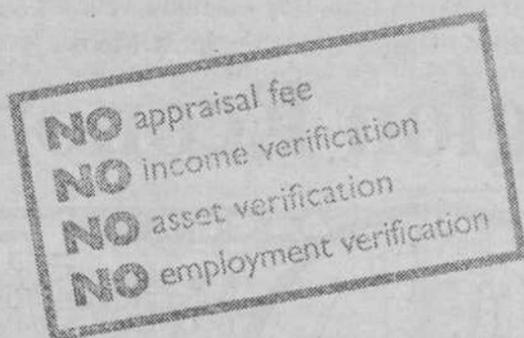
After homebuyers get their two-minute evaluation for FHA insurance from Loan Prospector, they are told if they must submit any additional information to verify their income and assets. In addition, the lender obtains

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