

lenders that do manual underwriting

Lenders that do manual underwriting play a crucial role in the financial landscape, particularly for individuals who may have non-traditional financial profiles. Manual underwriting is a process where a human underwriter reviews a borrower's financial information and circumstances, rather than relying solely on automated systems. This method can benefit borrowers who may not fit neatly into conventional lending criteria, providing them with access to loans that they might otherwise be denied. In this article, we will explore what manual underwriting is, when it's necessary, the benefits and drawbacks, and highlight lenders that offer this service.

Understanding Manual Underwriting

Manual underwriting involves a thorough review of a borrower's financial history, creditworthiness, and ability to repay a loan. Unlike automated underwriting, which uses algorithms to assess risk based on credit scores and other data points, manual underwriting takes a more holistic approach.

What Does Manual Underwriting Involve?

The manual underwriting process typically includes the following steps:

1. **Gathering Documentation:** Borrowers are required to submit a comprehensive set of documents, including pay stubs, tax returns, bank statements, and other financial records.
2. **Evaluating Creditworthiness:** The underwriter assesses the borrower's credit history, payment patterns, and outstanding debts to understand their overall financial behavior.
3. **Assessing Stability and Income:** The underwriter examines the stability of the borrower's income sources, which may include employment history, self-employment income, or government benefits.
4. **Consideration of Circumstances:** Unlike automated processes, manual underwriting allows for consideration of unique circumstances, such as medical issues, temporary job loss, or other life events that may have impacted the borrower's financial situation.
5. **Final Decision:** Based on the comprehensive analysis, the underwriter makes a decision on the loan application, which can result in an approval, denial, or request for additional information.

When is Manual Underwriting Necessary?

Manual underwriting is particularly beneficial in several scenarios, including:

- **Low Credit Scores:** Borrowers with low credit scores may struggle to secure loans through automated systems that emphasize credit scores heavily.
- **Unconventional Income Sources:** Individuals who are self-employed, freelancers, or gig workers may not have traditional income documentation, making it difficult for automated systems to assess their financial stability.
- **Recent Financial Hardships:** Borrowers who have faced financial difficulties, such as bankruptcy or foreclosure, may need manual underwriting to explain their situation and demonstrate their recovery.
- **First-Time Homebuyers:** Many first-time homebuyers may have limited credit histories or insufficient savings for a large down payment, making manual underwriting a valuable option.

Benefits of Manual Underwriting

Manual underwriting offers several advantages, particularly for those with unique financial situations:

1. **Personalized Assessment:** Manual underwriting allows for a more nuanced evaluation of a borrower's financial situation, taking into account factors that automated systems may overlook.
2. **Flexibility:** Lenders that do manual underwriting can apply more flexibility in their lending criteria, allowing them to serve a broader range of borrowers.
3. **Increased Access to Financing:** Borrowers who might be denied loans through traditional methods may find opportunities through manual underwriting, enabling them to achieve their financial goals.
4. **Holistic View of Borrowers:** Manual underwriting considers the whole borrower, including their personal circumstances, rather than focusing solely on numerical data.

Drawbacks of Manual Underwriting

Despite its benefits, manual underwriting also has some drawbacks:

1. **Longer Processing Times:** The manual review process can be time-consuming, leading to longer wait times for loan approvals compared to automated systems.
2. **Higher Costs:** Lenders may charge higher fees for manual underwriting due to the increased labor and time involved in the process.
3. **Subjectivity:** The decision-making process in manual underwriting is more subjective, which can lead to inconsistencies in lending practices.

Top Lenders That Do Manual Underwriting

Several lenders specialize in manual underwriting, providing options for borrowers who may not qualify through traditional means. Here are some notable ones:

1. New American Funding

New American Funding is known for its flexible underwriting process, catering to borrowers with diverse financial backgrounds. They offer various mortgage products and consider manual underwriting for borrowers with lower credit scores or unique circumstances.

2. Carrington Mortgage Services

Carrington Mortgage Services focuses on providing loans to borrowers who may not meet standard requirements. They offer manual underwriting options for FHA and VA loans, making homeownership accessible to more individuals.

3. Caliber Home Loans

Caliber Home Loans provides various mortgage products and is open to manual underwriting cases. They emphasize working with borrowers who may have experienced financial difficulties in the past.

4. United Wholesale Mortgage (UWM)

UWM is a leading wholesale lender that allows independent mortgage brokers to take advantage of manual underwriting when necessary. They provide options for non-QM loans, which cater to borrowers with unique financial situations.

5. Freedom Mortgage

Freedom Mortgage specializes in VA and FHA loans and offers manual underwriting options. They focus on providing financing solutions for first-time homebuyers and those with less-than-perfect credit.

Conclusion

Lenders that do manual underwriting play a vital role in expanding access to credit for

individuals who may not fit into traditional lending categories. By taking a personalized approach to the underwriting process, these lenders can help borrowers overcome financial barriers and achieve their goals. While there are benefits and drawbacks to manual underwriting, the availability of this option provides hope for those seeking loans despite having unique financial situations. As the lending landscape continues to evolve, manual underwriting will likely remain an essential tool for promoting financial inclusivity.

Frequently Asked Questions

What is manual underwriting and how does it differ from automated underwriting?

Manual underwriting is a process where a loan officer reviews a borrower's financial information and creditworthiness without relying on automated systems. Unlike automated underwriting, which uses algorithms to assess risk, manual underwriting allows for a more personalized evaluation, considering factors such as individual circumstances and unique financial situations.

Which types of lenders typically offer manual underwriting?

Manual underwriting is commonly offered by credit unions, smaller community banks, and certain online lenders. These lenders often cater to borrowers with unique financial profiles, such as self-employed individuals or those with limited credit histories.

What are the benefits of choosing a lender that does manual underwriting?

Choosing a lender that does manual underwriting can provide several benefits, including a more personalized approach to assessing creditworthiness, the potential for approval despite lower credit scores, and the ability to consider extenuating circumstances that automated systems might overlook.

How can borrowers prepare for manual underwriting?

Borrowers can prepare for manual underwriting by gathering comprehensive financial documentation, such as tax returns, bank statements, proof of income, and any other relevant information that showcases their financial stability. Being ready to explain any potential red flags in their financial history can also be beneficial.

Are there any drawbacks to manual underwriting?

Yes, there can be drawbacks to manual underwriting, including longer processing times compared to automated underwriting, potentially higher fees, and stricter criteria depending on the lender. Additionally, not all lenders offer manual underwriting, limiting options for borrowers.

How can borrowers find lenders that offer manual underwriting?

Borrowers can find lenders that offer manual underwriting by researching local credit unions and community banks, looking for online lenders that specialize in non-traditional borrowers, or consulting mortgage brokers who may have access to a wider range of lenders that provide this service.

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