Home Buying Do's & Don'ts

We are excited to be working with you on the purchase of a new home! You may have wondered what is needed to qualify for a mortgage. When determining whether you qualify for a home loan, many factors you may not have considered may come into play. Here are a few mortgage Do's and Don'ts to keep in mind during your home buying process and after you have been Pre-approved for a Mortgage Loan.

Don't — Change jobs (without notifying us first)

Do NOT change jobs or become self-employed before closing. Your pre-approval is based on your current job history and income, so making a change – even if it is moving to a higher-paying job – could change your ability to qualify for your new home. If you do plan on changing jobs, notify your Loan Officer ASAP. They will be able to provide you with advice and let you know what documentation will be required and if this will change your pre-approval. Be prepared to document as much of your previous income as possible, and make sure you can provide pay stubs from your new position.

Don't — Apply for new credit cards or additional lines

Your credit score is an important factor that your lender will consider when qualifying you for a mortgage loan. Applying for a credit card can affect your credit score, especially if you frequently open and close credit accounts. However, paying DOWN balances will help increase credit scores. Closing accounts can hurt your score. Before doing anything, please contact your Loan Officer to discuss. Too many credit inquiries can negatively affect your credit score as well.

Do — Reduce your debts

Your Debt-To-Income ratio (DTI) is another factor your lender will consider when qualifying you for a mortgage loan. Your DTI refers to your monthly obligation on long term debts and debts that show on credit reports, divided by your gross monthly income. The less consumer debt you have to make payments on each month, the less risky you may appear to a lender, and the more likely it is that you may be able to qualify for a home. Pay off and consolidate as much of your consumer debt (credit cards, student loans, auto loans, etc.) as you can prior to applying for a home loan if at all possible.

Don't — Make any major purchases

It may be tempting to go out and spend a lot of money on furniture and appliances for your new home, but it's important to wait until you close on your mortgage loan. You will want to keep your credit cards balances low or paid off, to avoid negative effects on your credit score. You will also want to avoid deferred payment plans; even if payments aren't due for months, it can still affect your DTI and your credit score.

Do — Pay your bills on time

For any outstanding debt or bills you may have, make sure you are making your payments on time. Late payments can show up on your credit report and affect your credit score negatively.

Do — Choose a Homeowners insurance company

You will choose your Homeowner's Insurance company and we will need to provide this information to Underwriting. The more quickly we get this information, the more smoothly the loan process will go. Providing information in a timely manner is essential in ensuring we make all deadlines according to the contract.

Don't — Aquire any NSF (overdraft) fees from your bank

Make sure the funds in your bank account cover anything being paid out; mortgage underwriters look at these fees as an inability to manage money and a mortgage risk factor.

Don't — Make large deposits

Without the ability to provide documentation as Underwriting will require a "paper trail" showing where the large deposit originated from. What funds you show available in your bank account at the time your file is pre-approved will be what is submit to Underwriting. Any changes will need to be explained with a "LOX"… letter of explanation and proof of funds.

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