

# Do's and Don'ts



## when applying for a mortgage loan!

While you are considering the purchase of a new home or exploring refinancing your current home, you should not do anything that will have an adverse effect on your loan from this point through the rest of the process. We know it is tempting to begin making your new house a home or to spend your new savings on fixing your existing home, but this is the time to keep your financial picture frozen in a stable position until your loan closes. **The key is to call us** if you wish to make any changes to your financial picture; even the seemingly most logically beneficial moves can backfire and cost you thousands of dollars or even your ability to obtain financing at all.

**To have your pre-approval or loan commitment remain valid please pay close attention to the do's and don'ts below:**

### The Do's

- #1 **DO STAY CURRENT ON EXISTING ACCOUNTS.** Late payments on your existing mortgage, car payment, or anything else that can be reported to a CRA (Credit Reporting Agency) can cost you dearly. One 30-day late payment can lower your credit score by 30-75 points. Make your mortgage payments on time but call us before you make any payments that are scheduled within two weeks of closing.
- #2 **DO CONTINUE TO USE YOUR CREDIT AS YOU NORMALLY WOULD.** Red flags are easily raised within the scoring system. If it appears you are diverting from your normal spending patterns, it could cause your score to go down. For example, if you've had a monthly service for internet access billed to the same credit card for the past three years, there's really no reason to drop it now. Again, make your changes after the loan funds.
- #3 **DO CALL YOUR LOAN OFFICER.** If you have any questions during the loan process, I am here to help and I am just a phone call or email away.

### The Don'ts

- #1 **DON'T APPLY FOR NEW CREDIT OF ANY KIND.** You receive invitations to apply for new lines of credit, don't respond. If you do, that company will pull your credit report and this will have an adverse effect on your credit score. Likewise, don't establish new lines of credit for furniture, appliances, computers, etc.
- #2 **DON'T PAY OFF COLLECTIONS OR CHARGE-OFFS.** From now on, don't pay off collections unless we specifically ask you to in order to secure the loan. Generally, paying off old collections causes a drop in the credit score.
- #3 **DON'T MAX OUT OR OVERCHARGE EXISTING CREDIT CARDS.** Running up your credit cards is the fastest way to bring your score down and it could drop up to 100 points overnight. Once you are engaged in the loan process, try to keep your credit cards below 30% of the available limit.
- #4 **DON'T CONSOLIDATE DEBT TO ONE OR TWO CARDS.** Once again, we don't want you to change your ratio of debt to available credit. Likewise, you want to keep active beneficial credit history on your record.
- #5 **DON'T CLOSE ANY CREDIT CARD ACCOUNTS.** If you close a credit card account, it can effect your ratio of debt to available credit which has a 30% impact on your credit score. If you really want to close an account, do it after you close your mortgage loan.
- #6 **DON'T RAISE ANY RED FLAGS TO THE UNDERWRITER.** Don't co-sign on another person's loan, or change your name and address. The less activity that occurs while your loan is in process, the better it is for you.
- #7 **DON'T MAKE ANY ADJUSTMENTS OR TRANSFERS IN YOUR ASSET PICTURE.** Don't change investments, move positions, close accounts, open new accounts or substantially change your asset picture without contacting us first.
- #8 **DON'T MAKE ANY LARGE UNEXPLAINABLE DEPOSITS INTO BANK ACCOUNTS.** Deposit amounts exceeding past history will be questioned by an underwriter unless the deposit is a documented gift. Any non-payroll deposits will raise red flags to an Underwriter and we will have to show a full paper trail sourcing the deposits.
- #9 **DON'T MAKE CHANGES WITH YOUR EMPLOYMENT OR INCOME.** *Employment stability is a big factor in the underwriting loan process. Quitting or changing jobs or even positions within the same company can greatly endanger your entire loan approval.* **INFORM US IMMEDIATELY OF ANY CHANGES TO YOUR JOB, POSITION OR INCOME.**



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