

MORTGAGE PROCESS DON'Ts

Here are some basic guidelines for keeping your mortgage process smooth and unproblematic. Since no checklist can cover every situation, the most important thing to remember is to keep your mortgage consultant aware of any potential changes to your income, assets, or debts.

DON'T THROW AWAY FINANCIAL DOCUMENTS:

Your lender will require multiple financial documents, so start organizing immediately. Make sure to keep several months worth of pay stubs from your employer, bank statements, and other important financial documentation that is relevant to your income and financial status, including any information on the sale of your current home such as a sales contract or closing statement.

DON'T APPLY FOR NEW CREDIT:

It may seem natural to apply for a credit card at a home improvement store or a furniture store when you are about to become a homeowner, but applying for credit can lower your credit score. Not only will you lose a few points because of a credit inquiry, but if you are approved for new credit, a lender may worry that you will spend up to your new credit limit and then default on your loan.

DON'T CLOSE ANY CREDIT ACCOUNTS:

You may be feeling that this is a good time to get your financial house in order by closing unused credit accounts or transferring your debt to a new credit card with a zero-interest balance transfer offer. While that's a smart move financially, it's a bad move for your credit score because you lose points when you have a higher usage of debt compared to your limit on one credit card and to your overall credit availability. Wait until your closing is complete before you make these changes.

DON'T CHANGE BANKS OR MOVE A LOT OF YOUR MONEY AROUND:

Your lender will need the most recent bank statements before you go to settlement, so if you have any unusual deposits you will need to provide complete documentation for the origin of the money. If possible, it's best to move the funds you will

need for your home purchase into one account before you apply for a mortgage. If not, make sure you have complete and accurate records readily available.

DON'T INCREASE YOUR DEBTS:

In addition to your credit score, your debt-to-income ratio is extremely important to a loan approval. If you take on more debt, you could be in danger of going above the maximum acceptable debt-to-income ratio. This includes becoming a co-signer on a loan even if you will not be responsible for the payments.

DON'T SKIP A PAYMENT OR MAKE A LATE PAYMENT:

One of the most important elements of your credit score is your history of on-time, complete payments, so don't get so distracted with your move that you forget to keep up with paying bills. It is critical to continue honoring every financial obligation.

DON'T BUY A CAR:

You may be feeling that a new car would be a nice addition to the driveway of your new home. Resist that feeling. Even if you can easily afford a new car, the depletion of your savings or the addition of a new car loan could derail your mortgage application. Wait until after you have moved to switch to a new car.

DON'T CHANGE JOBS IF YOU CAN HELP IT:

While a job change could mean a raise or a path to a better future, it could also delay your settlement. Your lender needs to verify employment and will need paystubs to prove your new income before your loan can go to settlement.

DON'T SPEND YOUR SAVINGS:

You'll need cash on hand at the settlement for your down payment and closing costs, and your lender may even verify your cash reserves one more time, so make sure the funds stay in place.

In other words, no matter how hard it is at this exciting time, it's better to do nothing than to do anything. Maintaining status quo on your financial situation is the goal during the mortgage approval process leading up to closing.