Mortgage Dos and Don'ts

Mortgage guidelines have tightened, but getting a mortgage loan can still be a smooth process for you if you are properly prepared and informed. Below are helpful, insider tips to ensuring you achieve your goal of a successful mortgage approval and move into your new home.

• DO KEEP YOUR FINANCIAL DOCUMENTS AVAILABLE

While our team strives to collect everything up front, there is a chance that Underwriting may request new or additional documentation. It's OK to start packing, but keep your financial records out of storage and easily accessible.

• DO SAVE YOUR INCOME DOCUMENTS

Depending on how you're compensated, the usual paystubs, W2's and tax returns provided at the time of application may not be sufficient. There will typically be additional written and verbal verifications done with your employer(s), CPA, and even IRS tax transcripts and everything will need to match. Hang onto your incoming paystubs as these may need to be updated per the Underwriter's request.

• DO SAVE ALL PAGES OF YOUR BANK STATEMENTS

These may need to be updated during the process so be sure to hang onto your incoming bank statements. This applies to regular checking and savings accounts. It's also very important to be sure that you save all pages of each statement even if it's just a cover sheet, blank page, or advertisement. For example, if it says page 8 of 8 - we need all 8 pages.

• DO KEEP YOUR CREDIT SPOTLESS

Keep making any and all payments on time. Your report may need to be pulled again and any negative changes to your score from inquiries, new debts, late payments, defaults, etc., can cause you to lose your loan approval and your new home.

• DO MAKE YOUR HOUSING PAYMENT ON TIME

If you're renting, be sure to continue to pay your rent on time. If you're selling your current residence, be sure to have a copy of your Final Closing Disclosure available. If you'll be renting your current home, you may be subject to additional guidelines that require sufficient equity, a lease, evidence of the first month's rent, and a security deposit in place to qualify.

• DO CHECK WITH US REGARDING GIFT FUNDS

If you're receiving any gift money from relatives, there are specific rules that must be followed. Many well-intentioned family members have ended up causing problems by simply handing over cash or a check. Underwriters will want to see a signed gift letter confirming that no re-payment of these funds is expected and they'll need an account statement from the donor to evidence where the funds came from. Please review with our team on how to properly document receipt of gift funds.

If you're uncertain about what you need to do or steps you should take, our team is here to help you through the process and are always happy to answer any questions.

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Mortgage Dos and Don’ts (Continued)

• DON’T FREEZE YOUR CREDIT

We will monitor your credit actively throughout the entire mortgage process, up until the day of your closing. We request you do not freeze your credit and to please leave your credit unfrozen until we complete the loan process. Should you feel uncomfortable leaving your credit unfrozen, please let us know and we would be happy to discuss this request further with you.

• DON’T SELL PERSONAL ITEMS WITHOUT A PAPER TRAIL

When moving, one of the things you will most likely do is have a garage sale or post items online to sell prior to moving, This is OK - but please make sure you keep a paper trail. Typically, a Bill of Sale and proof of funds receipt will be needed. If the item is valuable in nature (i.e. car), an independent valuation will be needed (i.e. Kelly Blue Book) - so be sure to save details of the item. Always make sure the Buyer pays you in the form of a personal check or cashier's check. If they pay you in cash - simply hang onto the money until after closing as cash deposits are impossible to source or trace.

• DON’T APPLY FOR NEW CREDIT

Any new credit inquiries or debts will have to be accounted for and a final credit check has to be done the day of closing. Any changes can create delays, change the terms of your loan, or in some cases cause your loan to be denied. If you absolutely must open a new account, consult with our team first as we’ll need to analyze any impact and properly document it.

• DON’T CHANGE JOBS PRIOR TO CLOSING

There are of course instances when this may not be your choice. However, if you’re considering a job change please be sure to consult with our team first. Employment must be verified and the criteria can vary. Status changes such as from a salaried position to a commissioned position, leave of absence, or the use of bonus and overtime income are also subject to very strict rules and may not be acceptable towards qualifying income. If at all possible - wait until after closing to make a switch.

• DON’T MAKE LARGE DEPOSITS WITHOUT SAVING A PAPER TRAIL

Deposits of $500 or more (even less in some instances) must be sourced. If they appear on your bank statements as transfers from one account to another or as payroll deposits, that’s fine. Non-payroll deposits must be accounted for to prove that you did not take out any new debts or borrow money from a non-allowed source. Plan ahead, make copies of checks and deposit slips, and be especially careful when depositing multiple checks from various sources. NEVER deposit cash - whenever you’re unsure, please consult with our team first.

• DON’T ALLOW YOUR BANK ACCOUNTS TO SHOW NEGATIVE BALANCES OR INCUR NSF/OVERDRAFT FEES

Lending guidelines will see these items as the equivalent of a late payment on your credit report. Depending on your loan program, NSF fees, overdraft charges, or negative account balances could be grounds for a mortgage denial and prevent you from moving into your new home.

• DON’T WAIT TO LIQUIDATE FUNDS FROM STOCK OR RETIREMENT ACCOUNTS

If you’re liquidating or borrowing against your retirement savings or brokerage accounts, don’t wait to complete the transaction. You will need to provide evidence of the liquidation and deposit and if it’s a loan, the monthly payment. There are specific guidelines to documenting liquidation of these assets so please contact us early to understand the proper steps and guidelines.

• DON’T MAKE ANY LARGE PURCHASES

If you’re receiving any gift money from relatives, there are specific rules that must be followed. Many well-intentioned family members have ended up causing problems by simply handing over cash or a check. Underwriters will want to see a signed gift letter confirming that no re-payment of these funds is expected and they’ll need an account statement from the donor to evidence where the funds came from. Please review with our team on how to properly document receipt of gift funds.

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