

Tips to Remember after you Apply for a Mortgage

Here is a list of what you should and shouldn't do while getting a loan. I have seen people RUIN any chance of getting their loan approved during the process because they did not follow the rules below:

- 1 DO NOT APPLY FOR NEW CREDIT OF ANY KIND.** Including those “you have credit card invitations that you receive in the mail or online. Every time that you have your credit pulled by a potential creditor or lender, you lose points from your credit score immediately. This includes co-signed debts. Any new debt can affect your loan approval.
- 2 DO NOT MAKE ANY UNSOURCED DEPOSITS INTO THE BANK ACCOUNT USED FOR YOUR DOWN PAYMENT/RESERVES.** All non-payroll deposits will have to be documented with an acceptable paper trail. It is best to avoid making non-payroll deposits into your accounts during the loan process. When in doubt, consult your loan officer before making the deposit.
- 3 DO NOT MAX OUT OR OVERCHARGE ON YOUR CREDIT CARD ACCOUNTS.** This is the fastest way to bring your scores up quickly. Try to keep your credit card balanced below 30% of their available limit at ALL times during the loan process. If you decide to pay down balances, do it across the board. Meaning, pay balances to bring your balance to limit ratio to the same level on each card (i.e. all to 30% of the limit, or all to 40% etc.)
- 4 DO NOT PAY OFF COLLECTIONS OR CHARGE OFFS DURING THE LOAN PROCESS.** Unless you can negotiate a delete letter paying collections will decrease the credit score quickly due to the date of last activity becoming recent. If you want to pay off old accounts, do it through escrow – at closing and always consult your loan officer.
- 5 DO NOT CONSOLIDATE YOUR DEBT ONTO 1 OR 2 CREDIT CARDS.** It seems like it would be the smart thing to do, however, when you consolidate all of your debt onto one card, it appears that you are maxed out on that card. The system will penalize you as mentioned above in 3. If you want to save money on credit card interest rates, wait until after closing.
- 6 DO NOT CLOSE CREDIT CARD ACCOUNTS.** If you close a credit card account, you will lose available credit, and it will appear to the FICO that your debt has gone up. Also, closing a card will affect other factors in the score such as length of credit history. If you HAVE to close a credit card account, do it after closing.
- 7 ALWAYS PAY ACCOUNTS ON TIME.** Stay current on existing accounts. Under the new FICO scoring model, one 30 day late can cost you anywhere between 50-100 points. Points lost for late pays take several months to recover.
- 8 DO NOT DISPUTE ANYTHING ON YOUR CREDIT REPORT ONCE THE LOAN PROCESS HAS STARTED.** When you send a letter of dispute to the credit reporting agencies, a note is put onto your credit report, and when the underwriter notices items in dispute, in many instances, they will not process the loan until the note is removed and new credit scores are pulled. Why? Because in some instances, credit scoring software will not consider items in dispute in the credit score.
- 9 KEEP IN TOUCH WITH YOUR MORTGAGE & REAL ESTATE PROFESSIONALS.** If you have a question about whether or not you should take a specific action that you believe may affect your credit reports or scores during the loan process, your mortgage or real estate professional may be able to supply you with the resources you need to avoid making mistakes that could drop your credit scores, or possibly, cause your loan approval to change.

Always consult your Agent or Loan Officer about any possible problems or questions.