the Mortgage Bulletin

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The Top Ten --- Once Again

The TOP TEN things borrowers should do or not do after making loan application first appeared in the Mortgage Bulletin back in 1995. It has been updated and repeated several times since, and anecdotal evidence suggests it's time for another update. So ---

NUMBER TEN: Do make sure you have a current (unexpired) driver's license and bring it to the loan sign off. Several documents you will be signing must be notarized and the notary needs to see your current license as evidence that you are who you say you are. If you forget your license -- you may have to go home and get it. If it's expired you may have to go to the DMV and get a temporary license.

NUMBER NINE: Don't buy a new car or even go shopping for one without talking to your loan consultant first. If you must visit a showroom, do not give the sales person your social security number since that would allow the dealer to run a credit check and credit checks will drop your credit score. Remember, the difference of one point on your score can make a difference in your rate and could even impair your ability to get a mortgage loan.

NUMBER EIGHT: Don't respond to a letter from a credit card company saying you are preapproved for a credit card. A response could trigger a credit inquiry with the same potential result as NINE, above.

NUMBER SEVEN: Don't incur any new debt or monthly payments. New payments will increase your debt to income ratio, potentially reducing the amount of loan you need to close the transaction. And any new debt will lower your credit score.

NUMBER SIX: Do not file for divorce. This is not marriage counselor advice but rather loan related advice. Once you file for divorce, lenders will not make a mortgage loan until they have the final decree setting forth the financial aspects of the settlement: who pays whom how much for how long. They need this information to establish the ratio of debt to income.

FIVE: Don't close any old revolving credit accounts before or after making loan application. Old credit is good. It is almost as important to your credit score as making prompt payments.

FOUR: Do not consolidate credit card debt by cancelling several and transferring the balances to one new card – even for a lower rate. One new credit card with a balance equal to the new limit is worse for your credit score than three cards with balances below 30% of the limit. Consolidating debt can be a triple whammy: you lose the benefit of old credit, your score drops because of new credit, and it drops further because the amount owed is at the limit.

THREE: Don't quit or change your job without discussing first with your loan consultant. Lenders will call the employer shown on your loan application the day before they fund the loan to verify that you are still there. If they learn that you are not, your loan will not fund (or close, obviously) until your new situation is documented and accepted.

TWO: Do inform your loan consultant immediately of any changes to the transaction. Last minute changes such as lender holdbacks, seller credits, price change, and the like can cause a delay in closing until the changes are approved by the underwriter.

ONE: Don't forget to make payments on your present loans or credit cards. In the excitement of buying a new home or refinancing into a better loan, it is easy to forget about making a payment. The consequences can be serious – up to and including cancellation of the loan.

So – that's the top ten. Some are obvious but all are important and easy to follow.