9 Miscues to Dodge When Buying a House

GVC MORTGAGE

Introduction

Many factors can affect your standing with a mortgage lender. It is important to not give them any reason to think twice about funding your loan.

Averting red flags may seem like common sense, but some situations are not as obvious and can affect you more than others.

A few characteristics that demonstrate you are a qualified borrower are proof of:

- job stability
- financial responsibility
- a low debt-to-income ratio

Prove you are a qualified borrower, avoid the following 9 mistakes potential homebuyers can make.

1

Do Not Quit Your Job

Why

Your lender will verify your employment and will need at least a month's worth of paystubs to prove your income.

Therefore, if you change your employment, and possibly your income level, you will need to give the lender an additional month's worth of paystubs which could push back your closing date.[1]

Advice

Do your best to stay with your current employment throughout the entire process of purchasing your home.[2]

If you cannot avoid changing jobs, becoming self-employed, retiring, or you are moving for a new job, make sure to make all details immediately clear to your lender.[3]

2

Do Not Change Banks or Bank Accounts

Why

Just like a lender checks your income stability, your lender will want to do the same for your banking history.[4]

Lenders require you to provide bank statements before closing occurs and if you change banks you will have to wait a month or two to get bank statements for your new accounts.

Advice

If you do transfer your funds, make sure you have a paper trail.[5]

Also, it would be best to transfer any money you need for your mortgage costs into one account before you apply for a mortgage.[6]

3

Do Not Buy Anything You Have to Finance

Why

Buying big ticket items, including furniture, appliances, and vehicles, can increase your debt-to-income ratio which makes the lender question whether you can actually afford to pay them back.[7]

The reduction of your savings, or an addition of another loan, such as an auto loan, can severely disrupt your mortgage loan approval.

Advice

Hold off on buying those big ticket items, even if you use cash, until you have secured and closed the loan.

4

Do Not Make Late Credit Card Payments

Why

If your payment is later than 30 days it is added to your credit report, and because payment history makes up 35% of your score the late payments can significantly damage your credit score.[8]

Advice

Keep up your payments. Even if you get busy with the move, make sure you are keeping up the basic payments so your credit score remains intact and your payment history is solid.[9]

5

Do Not Make Large Deposits You Cannot Explain

Why

If large amounts of money are transferred or deposited it can make a lender wonder if you just took out another loan or co-signed a loan.[10] This leads them to question if your debt is actually larger than what they originally thought.[11]

Advice

If you are getting a gift for your down payment or any of your closing costs, disclose this to your lender so you can appropriately handle the funds.[12]

Keep your bank account the same throughout the mortgage loan process. If there is a big change, make sure you have a detailed paper trail for all large deposits.[13]

6

Do Not Use Cash for Your Earnest Money Deposit

Why

If you use a check to pay for your deposit you will immediately have a record of your payment, thus providing proof you have serious intentions to purchase the home.

Advice

Keep a receipt of your payment by check. Keep those bank statements, tax returns, and any other financial statements.[14]

If you are unsure whether or not to keep it, just throw it in the folder.

7

Do Not Co-sign a Loan for Anyone

Why

Co-signing a loan could make the approval of the loan you need impossible.[15] Part of the approval of your mortgage application is your credit score and the debt-to-income ratio. By being a co-signer you are putting your credit score at risk and increasing your debt-to-income ratio.

Advice

Taking on more debt has the potential to disqualify you from being approved for the loan you need.[16]

The simple response is just do not do it. However, if you are considering co-signing a loan for a friend or your child, make sure to weigh your decision carefully or discuss it with your loan officer before taking the cap off the pen.[17]

8

Do Not Inquire About New Lines of Credit

Why

When you look for new lines of credit it translates into a higher risk for lenders because it gives the appearance you are bringing on more debt.

Advice

Do not apply for or open any new lines of credit.

If you are inquiring about credit related to your mortgage, it usually does not affect your credit score because it appears as if you are rate-shopping.[18]

9

Do Not Exaggerate on Your Application

Why

If you exaggerate on your application and the lender discovers your error, it can lead to you being denied. If you cannot qualify for a loan you will not be able to buy a house.

Advice

Do not inflate your income, leave out debts,[19] or exaggerate about your current or past financial situation. Use common sense.

Conclusion

Making any of these mistakes can potentially delay your loan's closing and add to your stress level. Avoiding these 9 things will not only help your loan process go smoothly but it will allow you to enjoy this momentous occasion as you should.

You have spent years saving up enough money to purchase your home. Knowing what mistakes to avoid and keeping them in mind will put you one step closer to living in your dream home.

Sources

1. Malina, "Tips to Avoid Closing Delays When Buying a Home," River bank Finance (blog), http://riverbankfinance.com/blog/tips-to-avoid-closing-delays-when-buying-a-home/
2. Ibid
3. Bigger Pockets, "Avoiding Credit Mistakes When Applying for a Mort gage," BiggerPockets (blog), http://www.biggerpockets.com/blogs/2849/blog_posts/31608-avoiding-credit-mistakes-when-applying-for-a-mortgage
4. Colin Robertson, "10 Major Mortgage Mistakes to Avoid," U.S. News: Money, Jan. 20, 2011, http://money.usnews.com/money/blogs/my-money/2011/01/20/10-major-mortgage-mistakes-to-avoid
5. Michele Lerner, "8 Things to Avoid Before you Buy a Home," realtor.com (blog), http://www.realtor.com/advice/eight-things-avoid-buy-home/
6. Ibid
7. Lilly Keyes, "Things you Shouldn't Do When Applying for a Mortgage," Zing by Quicken Loans (blog), http://www.quickenloans.com/blog/things-you-shouldnt-do-when-applying-for-a-mortgage
8. Ibid
9. Michele Lerner, "8 Things to Avoid Before you Buy a Home"
10. Malina, "Tips to Avoid Closing Delays"
11. Ibid
12. Ibid
13. Bigger Pockets, "Avoiding Credit Mistakes"
14. First Home Mortgage, "Avoiding Loan Mistakes." First Home Mort gage Corporation. Last modified 2014, https://tcohee.gofirsthome.com/pages/avoiding-loan-application-mistakes
15. Justin Harelik, "Top 10 Reasons Not to Co-sign on a Loan," Bankrate (blog), http://www.bankrate.com/finance/debt/reasons-not-to-co-sign-loan.aspx
16. Bigger Pockets, "Avoiding Credit Mistakes"
17. CIBC, "What Does it Mean to Co-sign a Loan?" Canadian Imperial Bank of Commerce Website. https://www.cibc.com/ca/loans/articles/co-sign-a-loan.html
18. Realtor.com Team, "Buying a House? 10 Financial Things You Shouldn't Do," realtor.com (blog), http://www.realtor.com/advice/buying-a-home-10-financial-things-you-shouldnt-do/
19. Ibid

GVC MORTGAGE

www.GVCmortgage.com
NMLS# 2334

EQUAL HOUSING OPPORTUNITY