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Real Estate Attorney William “Bill” Blanchard Comments on Managing Credit During the Loan Process

Reminds home buyers that “A Clear to Close Letter Doesn’t Mean You Are Clear to Close.” Thus, buyers are advised to manage their credit wisely


William B. Blanchard, Real Estate Attorney

ST. CHARLES, ILLINOIS, UNITED STATES, September 6, 2018 /EINPresswire.com/ -- Experienced real estate attorney William B. Blanchard is publishing comments on issues related to the closing process, advising home buyers to pay particular attention to their credit during the loan process. His comments arose from a recent experience where Mr. Blanchard received notice from a lender that their customer’s loan was “clear to close” (CTC) and asked him, as the Seller’s attorney, to schedule a closing. The CTC is notice that all conditions required to fund the loan were completed, approved by the underwriter and the loan was ready to close. It appeared the loan was ready for funding.

On the morning of the scheduled closing, Buyer’s attorney called and said that his client’s loan was being sent back to the underwriters because of a credit issue that appeared on their last credit inquiry. The borrowers were not aware that their loan required a minimum credit score. On the morning of our closing the lender ran a quick credit check and found the couple had 2 late payments on other credit obligations since making their loan application. The damage was a major drop in their FICO score and a cancelled closing. Now the buyers, who have movers scheduled, have no place to live or store furniture are facing the likelihood that the damage to their credit will take several weeks or months to fix.

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> *William "Bill" Blanchard, Real Estate Lawyer*

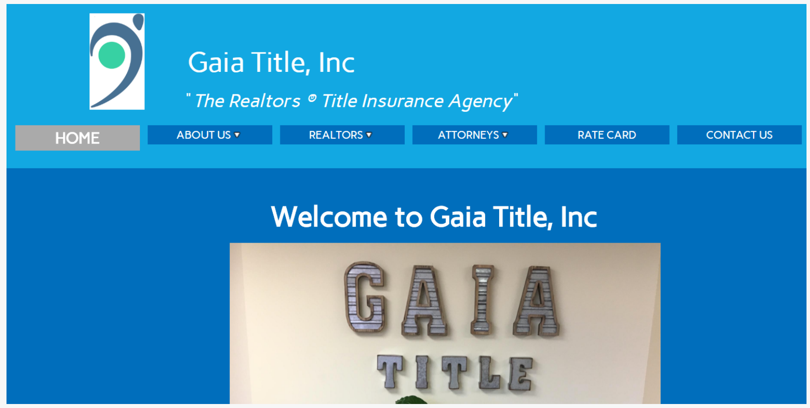
Bill Blanchard thus comments: “Lenders, attorneys, and real estate agents should warn their buyer clients of the consequences of using, not just abusing, credit during their loan application process. Equifax, a major credit reporting agency says that on-time payments and credit history, make up 35% of a credit score. Clients need to know that missing a payment is often fatal while an application is pending even if they’re pre-approved for a loan, have a loan commitment or are clear to close. Loan approval is always subject to last minute credit review.”

Mr. Blanchard explains that having a credit account sent to collections will certainly have a major impact on credit review as will credit utilization rate. This rate is the amount of outstanding debt relative to the total of all credit lines. Equifax suggests that anything over 30% credit utilization will damage a score significantly. Caution clients not to get anxious to buy new furniture for the new home or make any other major credit purchase. Seven percent of a FICO score is impacted by opening new credit lines. Advise clients to wait until they have the keys in hand before going on a shopping spree. Finally, a score can go down if you transfer balances or even pay off a card. Home buyers need to know not to do anything that has the potential to lower their credit score until their loan is closed and they own their new home.

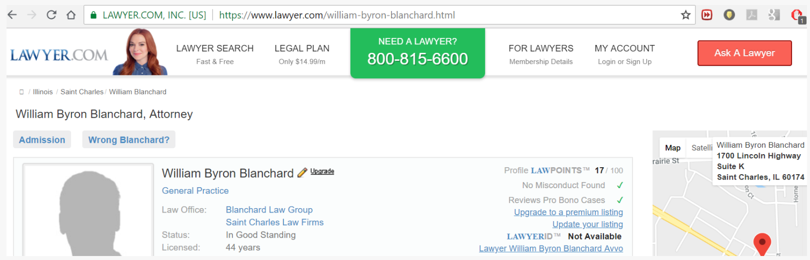
Mr. Blanchard's advice is that real estate attorneys make credit management warnings a visible part of your client's home purchase counselling. If nothing more, provide your buyers with a copy of this article or your own warning as part of your engagement agreement. The following caution has a prominent position in my client engagement agreement. I don't want to hear, "you never told me" if the loan is rejected.

Mr. Blanchard suggests a written caution along the lines of:

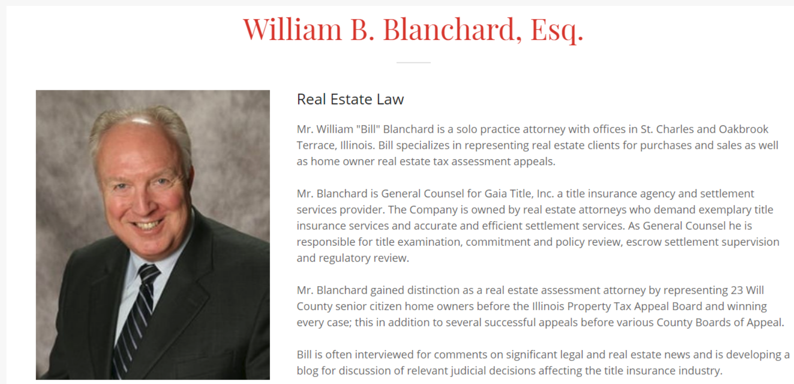
"Congratulations on your contract to purchase a new home and your pre-qualification for a loan. A word of caution regarding managing credit during your loan process. Lenders use your FICO and credit reports for approving your loan and setting your interest rate. Your lender most likely reviewed both before providing your pre-approval letter. Be careful with your use of credit while your loan is being processed because your loan can be rejected for damaging changes to your score and report. This can happen up to the time you've completed your closing and have the keys to the new home. The following are credit situations to avoid during your application process:



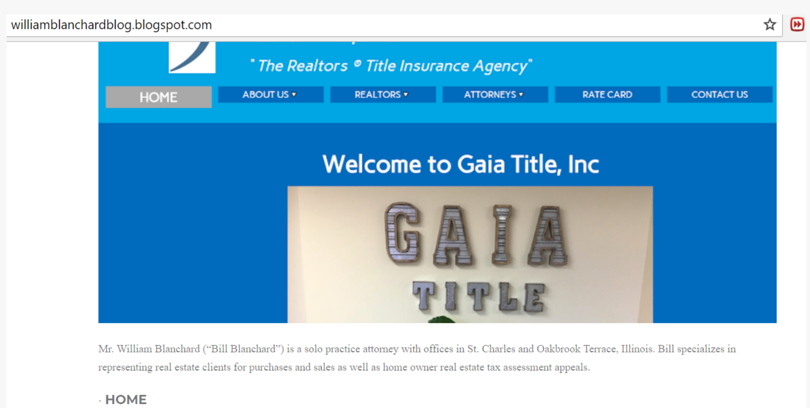
Website of Gaia Title, William B. Blanchard, General Counsel



William Blanchard, Attorney Listing on www.Lawyer.com



Attorney Profile of William B Blanchard



Blog of William B Blanchard at williamblanchardblog.blogspot.com

•Do not use credit cards excessively. Keep balances below 30% of your credit limit and don't make any major purchases;
•Do not let current accounts fall behind. Missing one payment during the loan process can lead to a substantial reduction to your score and loan rejection;
•Do not co-sign for anyone on a new account or loan.
•Do not give permission to anyone to run your credit (by applying for new credit accounts). The furniture for the new home can wait until you are holding the keys. New credit inquiries will reduce your score and can lead to denial of your credit application."

The complete commentary on "Managing Credit During the Loan Process" by William B. Blanchard is available on his blog at https://williamblanchardblog.blogspot.com/

References

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Listing in Attorney Directory: https://www.lawyer.com/william-byron-blanchard.html

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