

Six Things to Avoid After Applying for a Mortgage

Advice from a loan officer after applying for a mortgage

IRVINE, CA, UNITED STATES, December 15, 2020 /EINPresswire.com/ -- Once you've found the right home and applied for a mortgage, there are some key things to keep in mind before you own your home. Most buyers are super excited about the opportunity to decorate their new place, but during the processing of the loan, there are some key things that a buyer must follow.

Applicants should not make any large purchases, move money around, or make any major life changes. Talk to your lender, don't buy a boat, don't make any large purchases because these may negatively impact your home loan approval. Until a loan funds, it's not a loan.

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It's not over until it's over -- remember that until a loan funds, there are things that an applicant needs to know after applying for a loan.”

*Paul E Scheper, CRMP, MBA,
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If you are buying a home or applying for a mortgage, below is a list of things you shouldn't do after applying for a mortgage. They're all important to know – or simply just good reminders – to make the loan process smooth so that the loan will fund.

1. Don't Deposit Cash into Your Bank Accounts Before Speaking with Your Bank or Lender. Lenders need to source your money, and cash is not easily traceable.

Lenders want a paper trail if money shifts around -- from point A to B to C. Before you deposit any amount of cash into your accounts, discuss the proper way to document your transactions with your loan officer.

2. Don't Make Any Large Purchases Like a New Car or a Boat or Furniture for Your New Home. New debt comes with new monthly obligations. New obligations create new qualifications.



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People with new debt have higher debt to income ratios. Higher ratios make for riskier loans, and then sometimes qualified borrowers no longer qualify. Sometimes an inadvertent financial maneuver can cause a huge problem with qualifying ratios and lending rules.

3. Don't Co-Sign Other Loans for Anyone (including children). When you co-sign, you're obligated. With that obligation comes higher ratios as well. Even if you promise you won't be the one making the payments, your lender will have to count the payments against you. After your loan funds and after you own the home, then you can co-sign for children or anybody you want to. But, don't do any borrowing or co-signing during the processing of your home loan.

4. Don't Change Bank Accounts. Remember, lenders need to source and track your assets. That task is significantly easier when there's consistency among your accounts. Before you transfer any money, speak with your loan officer. Don't ask for forgiveness, ask for permission before moving money around during the processing of your home loan.

5. Don't Apply for New Credit. It doesn't matter whether it's a new credit card, or a new Kohl's card, or a Target credit card, or a new car lease, don't be tempted to apply for any loan after you have applied for a home loan. When you have your credit report run by organizations in multiple financial channels (mortgage, credit card, auto, etc.), your FICO® score will be harmed and impacted. Lower credit scores can determine your interest rate and maybe even your eligibility for approval. Resist the temptation to borrow a penny, or a dime. Don't borrow at all after you have applied for a home loan.

6. Don't Close Any Credit Accounts. Many buyers believe having less available credit makes them



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less risky and more likely to be approved. A major component of your score is your length and depth of credit history (as opposed to just your payment history) and your total usage of credit as a percentage of available credit. Closing accounts has a negative impact on both of those determinants of your score. Even if you think you are doing a good thing by closing out accounts, don't do it, because it might hurt your credit score.

Conclusion

Any blip, any change in job, income, assets, or credit should be reviewed and executed in a way that ensures your home loan can still be approved. If your job or employment status has changed recently, share that with your lender as well. The best plan is to fully disclose and discuss your intentions with your loan officer before you do anything financial in nature. Sometimes, a seemingly small pebble tossed into the loan process pond, can cause a huge rippling effect that could create waves of problems. Be smart -- ask your lender for permission before doing anything during the application process.

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