

What NOT to do After You Apply for a Mortgage

It's smooth sailing from here, right? Probably! However, more than one buyer has had the wind knocked out of their sails at some point in a real estate transaction by the mis-steps described below. If at all possible, steer clear of the following "NO-NOs" until after we close escrow.



Do Not Take On New Debt

I know that the temptation is strong because you're excited about a new home and purchasing new furniture, new appliances, new home accents, etc. And of course all these companies are offering easy terms with 0% interest and no money down. The problem is that lenders will often do a "refresh" of your credit, and any new inquiries or tradelines will need to be addressed. If there is new debt, then this will also increase your "debt-to-income" ratio and can therefore affect how much of a loan you can qualify for. Be patient and wait until the closing is official.



Do Not Change Jobs

If at all possible, try not to make a career move during the time between your mortgage application and the closing on the home you are purchasing. It isn't the end of the world, but it is very likely to delay closing until you can provide a paystub received by the new company. If you do end up changing your manner of pay (for example, going from a salaried position to 1099), OR if you pivot industries, then that will require a 2-year waiting period. Lenders are quite partial to stability, job security and length of present employment.

Do Not Deposit Large Sums of Cash in Your Bank Account

Large deposits in your bank account will always need to be sourced (an explanation of the deposit along with the canceled check or wire receipt). Lenders are required to monitor for money laundering, and they also need to assure that all closing funds come from acceptable sources. If you can easily source the large deposits, then you are good to go, but if you have “mattress money” or are taking a cash advance from a credit card and decide to deposit the funds before closing, that can create quite a hiccup.



In short, do nothing that negatively impacts your ability to qualify for your mortgage loan or that initiates a new round of paperwork. If you have any doubts about doing something that may affect your ability to qualify for your mortgage loan, please consult me for a quick discussion before you do it. These suggestions are merely that—suggestions. I’m not saying flat out that bad things will necessarily follow if you do any of the above.

Many buyers seem to view the mortgage application procedure as a static action, a snapshot of their financial lives at a given moment in time. It’s not. It’s an on-going process that takes into account everything you do right up until the day of closing.

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