Clear to Close!

Activities to Avoid to Successfully Close on Your Home

Congratulations — you're under contract!

In this part of the mortgage process, underwriters determine whether your loan application will be accepted or rejected. So, it's important to understand the top reasons why mortgage loans are denied, along with some tips for preventing loan denial.

1. Resist the Urge to Make Large Purchases

Your mortgage approval is based on a certain set of criteria such as debt-to-income ratio, cash reserves, assets, etc. Depleting your savings and purchasing large items on credit could jeopardize your approval.

Tip: *You may be tempted to ditch the hand-me-down furniture and buy a new bedroom set. There's only one problem. Your mortgage loan hasn't closed yet. Opening a credit card or even using existing credit can affect your debt-to-income ratio.*

2. Avoid Changing Jobs

Lenders like to see financial stability, and verifiable employment history is required. A change in employment status may impact your loan application. It's best to alert Domain Mortgage if you think your employer or status might change.

3. Steer Clear of New Credit Cards and Loans

Taking out a car loan, opening a credit card or getting a new personal loan can change your credit score. Since credit scores help determine your loan approval, it's best to avoid credit applications that may derail your process.

4. Avoid Paying Off Charges and Collections

You may have a collection on your credit report, and you want to pay it off to increase your credit score. Not so fast. Before you make any changes to your credit history — pay off collections, close lines of credit or refinance a car loan — you should talk to a mortgage professional about how these actions might affect your credit and your chances of getting a mortgage.

Did you know? *Refinancing your car loan to lower your 2-year old car payment actually gives you a new line of credit. New lines of credit aren't considered a seasoned loan, which is bad news during the mortgage process. The older your credit lines are, the better.*

5. Don't Switch Bank Accounts

It's very important to keep your accounts at status quo during the loan process so that you're able to show all current asset documentation. Don't move a bunch of money around during your mortgage process because lenders use your accounts to source your funds.

Reminder: *Among the documents you've provided Domain Mortgage, one is your bank statement. Therefore, you shouldn't jump between accounts during the process. More than likely, you'll have to start over if you switch accounts. And, if the down payment is coming from an account not documented, notify Domain Mortgage immediately.*

6. Avoid Large Unsourced Deposits and Withdrawals

Large deposits — especially from unknown sources — can raise red flags. If you plan on getting gift funds for your down payment, those funds have to be transferred the proper way. In turn, large withdrawals could also significantly drain your cash reserves, causing a wrench in the process.

7. Don't Be Late

If you want to give yourself the best chance to qualify for any particular loan option, make sure you stay current on all of your payments. Lenders, like Domain Mortgage, are required to report a late payment to the credit bureaus once a bill is 30 days overdue.

Don't put your mortgage transaction in jeopardy.

Do you have questions about the loan you are closing?
Please contact your Domain Mortgage loan officer.

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