

The Talk!

When a borrower begins the loan process with me, I am always asked, “what should we do next?” The uncertainty of the process, plus the anxiety that comes from getting approved for a home loan, seems to create another set of questions for many borrowers. I have found that there are four basic ‘truths’ when it comes to a home loan, and I encourage all of the Realtors I work with to have this talk with each and every one of their clients. While the concept is simple, here are the truths to “the Talk!”

1. Pay Everything on Time

I know this seems to be a “duh” type of comment, but many times borrowers get involved with the process of buying a home and with their busy schedules, may forget to pay a bill. No matter how insignificant a person thinks this may be ... a recent late pay on your credit report could jeopardize the loan or increase the interest quoted for a home loan. Even on refinance loans, if the current mortgage payment is due, the rule “if it is due, pay it” will always take precedence.

2. Don't Pay Ahead

Many borrowers think that they must have no debt. However, our automated underwriting system is very flexible these days. The approval process will allow for higher ‘debt to income’ ratios, depending on all of the factors in the file. So, it is not advisable to pay off debt ahead of time; instead ...

3. Save Everything you can

Having savings is a great overriding factor in the loan approval process. If there is a glitch in the approval and the underwriter asks for something to be paid off, then you will have the cash to do so. Many times, borrowers will pay off a debt, which will either have no bearing on the outcome or they paid off the wrong debt, hindering the loan approval.

4. Obtain No New Debt

I know this seems to be another “duh” type of comment, but I have seen many borrowers thinking that once they are pre-approved they can buy things for the home. Especially on long build jobs, where the credit report will expire and be run again, additional debt can easily ruin a pre-approval. So, if you want to buy anything, wait until you close on your home loan. If it is an emergency purchase, discuss that new debt with me before hand, so we can see the impact on your loan approval!



A Federal Savings Bank

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