LAMAR SMITH
HOMES

# Remember these 10 helpful financial pointers to ensure a smooth mortgage transaction.

### *Do not change jobs, quit your job, or become self-employed during the loan process.*

Your current (not potential) income is used to support your mortgage loan qualification. If you change this before the loan closes you may become disqualified, as your application would have to be re-underwritten to support your job change. Self-employed borrowers typically must be self-employed for a minimum of 2-years.

### *Refrain from co-signing a loan for anyone.*

Your qualifying ratios are based upon your reported liabilities and qualifying income. If you add additional liabilities into your ratios by co-signing for someone, you may not qualify due to the debt-to-income ratio guidelines, even if the person you are co-signing with has agreed to make the payments.

### *Purchasing a vehicle or other large purchase.*

Inquiries on your credit report are viewed during the underwriting process and all inquiries within that last 90 days will generally be required to have an explanation. Even just shopping can be detected because alerts are sent to the lender for each new credit inquiry.

### *Credit cards should not be used excessively and all payments should be paid on time.*

Your credit is typically updated both at origination and again at closing by the underwriter as part of a pre-funding audit, so any late payments or increases in your reported monthly required payment will be addressed prior to loan closing.

### *All funds set aside for closing and reserves should not be spent.*

While you are required to provide proof of your assets, if you spend the funds prior to closing after verifying them, you may jeopardize closing on time or even have your loan denied. **Keep in mind that between 3 and 6 months of reserves may be required if you have investment property or are purchasing investment property, depending on the type of mortgage loan you are applying for.

### *Do not omit any liabilities / debts on the loan application.*

All debts and obligations are considered to support qualification for mortgage financing. Any qualifying debt found during the analysis process will be included whether it is reported or not, so it is always better to disclose upfront than to explain later. This gives the loan officer time to build a strategy to get you qualified.

### *Purchases of furniture, appliances, or other items should take place AFTER the loan is closed.*

While many homeowners are anxious to furnish their new homes, adding to your liabilities by opting for a "no interest" or "no payment" deal, for example, can affect your credit in a negative way. The underwriter will generally use a percentage of the total credit line received to calculate a payment and count that as a liability. If your ratios are already cutting it close, this additional debt can make all the difference, even causing loan denial.

### *All non-payroll deposits into your bank account should be discussed with your loan officer first.*

These require a source of funds explanation by the underwriter so your loan officer needs to be prepared with proper documentation required to support the deposits when your file is turned in.

### *Refrain from changing banking institutions during the loan process.*

Asset guidelines generally require two months of statements, so you could prolong the underwriting process by having to source an opening deposit or by locating your previous bank statements.