

Don't Let These Obstacles Complicate Your Closing



Congratulations!

You jumped through every hoop your mortgage lender put in front of you and obtained a pre-approval.

You fell in love with your dream home, and your offer was accepted by the sellers.

All you need to do is wait for closing ... right?

It May Not Be That Simple

A pre-approval (not the same as a pre-qualification) means that your lender has evaluated your credit, assets and income. Based on the information you provided, the lender has made a commitment to finance your home purchase.

But you should know that the lender's work is not yet completed.

In addition to the requirements the property must meet, there will be additional investigations into your information.

And it is possible for a relatively minor issue to become a problem that could prevent your loan from closing.

Common Closing Hurdles

Some complications are out of your control. If an appraisal comes in too low, or a home is not insurable, you may choose to look for a different home.

But there are some common closing challenges that you can avoid with a little knowledge and attention. Being proactive can make the difference between homeownership and disappointment.

If you have questions about any of these potential pitfalls, you should discuss them with your mortgage lender to make sure you understand the best way to handle them.

Read Your Mortgage Disclosures

Your lender is required to provide copies of your mortgage application documentation.

It's not exactly like reading a delightful novel, but it's important to study these documents carefully. Go over them line by line to check for accuracy. Make sure every entry is factual, with no exaggerations or guesses. Report any information that doesn't look right to your lender immediately.

Your mortgage file could be audited, and one incorrect piece of information could cause your loan to be denied.

Pay particular attention to any forms showing amounts or numbers. Make sure all amounts are in line with your expectations. If not, you should question the discrepancies.

Don't Make Any Changes to Your Credit Profile

A pre-approval is just that – a pre-approval.

There are still a lot of steps for the lender to take issuing final approval and issuing closing documents.

One of the final steps is to re-check the homebuyer's credit to make sure nothing has changed. If the credit score has dropped or new debt has appeared, it could jeopardize the approval.

You will need to handle your credit carefully at this point. As tempting as it may be to buy that new sofa you'll need for your home, or to celebrate in some other (expensive) way, it's best to wait until after your loan has closed.

Don't:

- Get so excited about your move that you neglect your current bills. One late or missed payment can be devastating to your credit score
- Apply for any new accounts or allow anyone to run your credit. An inquiry on your credit will cause the lender to wonder about possible credit accounts that are not yet reported
- Open or close any lines of credit or revolving accounts. Lock up the credit cards and keep any balances low.
- Co-sign a loan with anyone.
- Take out any short-term loans, especially from a finance company or a payday loan company.
- Incur any debt – especially anything with a big monthly payment. Your debt-to-income ratio (DTI) could be affected and your approval could be canceled.

It's Not Over Till It's Over

A home loan transaction is not considered closed until the buyer and seller have left the closing table, with checks and keys exchanged.

Until that happens, the lender may continue to verify information that you have provided.

Your loan approval is based on the data contained in the application, and any sudden changes could cause the lender to re-think the decision.

Don't:

- Make any large deposits that aren't consistent with your normal banking habits without a paper trail. For example, if you sell a car or receive a tax refund, make sure you can provide proof to the lender with the proper documentation.
- Change bank accounts.
- Change your down-payment source after you have been pre-approved. If you accept a monetary gift from a friend or relative, or if you suddenly receive a large sum of money, your lender will have to source the funds and determine that you don't have a disguised loan or that you are not violating loan mortgage guidelines.
- Change jobs or quit your job.

Sometimes emergencies happen. If you can't avoid one or more of these potential obstacles, let your lender know right away so that closing delays can be minimized.