Before Applying for your Mortgage

It's so very important to get your finances in order if you're thinking of purchasing a new home. Details can make a huge difference in your credit score, interest rate…..and the ability to close your loan.

Consider the following guidelines in the weeks and months prior to applying for your mortgage:

- Always pay your bills on time. Being late even once can really take a bite out of your FICO score. And the lower the score, the higher the interest rate. The absolute worst late payment you can have is on your mortgage. Guard it with your life. The lenders feel that if you've been late on your current or past mortgage, you've likely not to pay them on time either.

- Check your credit report – every 6-12 months. You should always do this to avoid errors and even identity theft.

- Know your FICO score – If you check your score a few months prior to purchasing your new home, there is time to improve it before you actually apply for the loan.

- Keep your credit card balances under 50%. Your credit cards should be 50% or less of the maximum limit. Maxing out your cards can indicate a problem. Sometimes even the day you make payments can make a difference. For instance, if you have a high balance and make a payment on the 18th day of the month. If the lender reports to the credit bureau on the 15th, your payment may not show up for 30 more days .

- Don't apply for any new credit – Inquires can cause a decrease in your FICO score. This is one of the factors used to calculate your score.

- Don't close unused accounts – If you have an account that's not being used, it can work in your favor. This usually means that you have a credit limit on that particular account that will add into your total available credit….and will lower your ratio of balances to credit limits.

- This goes without saying……avoid collections! The most common collections that I've seen are pertaining to medical or hospital bills. Be careful to check your insurance company payments….and make sure the entire amount due is paid on time. Because if there's a balance (even one that you're not aware of)…..it can really cause problems with your credit rating.

- Don't co-sign with anyone - ever! When you co-sign, that makes you liable for the entire debt. It's hard to keep up with payments someone else is making (or telling you they're making). And it will have a detrimental effect on your credit score. It also adds to your credit liability, which can lower your score.

- Above all – Don't buy a new car until after your home has closed. This one thing has caused many people not to be able to close on their home. The lender will check your credit score when you apply for your mortgage loan……and many times they check it again on the day you close……just to make sure nothing has changed. If you've bought anything – especially a new car……it can throw your ratios completely off balance. It's just not worth it. The seller's ready to close…..sometimes have already moved out. You've ready to close and move in……and the whole thing absolutely comes to a halt! WAIT until you close…..then go car shopping.

- If you have credit issues – Always be upfront with your Realtor and loan originator. They are on your side and will help if you trust and confide in them. Any problems are going to come out during your mortgage process, and it's much easier to head off a problem before it becomes an issue.

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