

WHY ARE DEALS BLOWING UP IN YOUR FACE

Get Pre-Approved For a Mortgage

One of the most important steps to successfully purchase a home is to get pre-approved for a mortgage before shopping for homes.

- The primary reason to get pre-approved for a mortgage before shopping for homes is to ensure you're looking at homes that are within the price range that you can afford.
- Even though a buyer will get pre-approved for a mortgage before shopping for homes doesn't mean there is a guarantee they will successfully obtain the financing. Certainly the hope is the if a lender pre-approves a buyer that the buyer will successfully obtain the financing, however, it's possible a mortgage can get denied even after pre-approval.
- A mortgage that gets denied is one of the most common reasons a real estate deal falls through. When a buyer's mortgage is denied after pre-approval, it's in most cases the fault of the buyer title or the lender that pre-approved them.

CHANGE OF EMPLOYMENT

One of the most common reasons a mortgage is denied is due to a change in employment. Depending on the type of financing a buyer is obtaining, there are certain requirements for length of consistent employment.

For example, FHA mortgages require a buyer to have solid employment history for two years. If there are gaps in employment history, they require a written explanation which is subject to the approval of a mortgage underwriter.

A change in employment maybe acceptable in some cases if it's in a similar field.

For example, if a buyer who is a nurse switches hospitals but remains a nurse, as long as there was not a drastic change in income, most lenders will be OK with this change of employment.



Recently while selling a home in Florida a buyer switched employers after getting pre-approved and completely switched career fields, which led to the mortgage being denied for a conventional loan.

NEGATIVE ITEM ON CREDIT

A very populated home buying misconception that you need perfect credit to buy a home. This is not true, however, there are specific credit score guidelines that each type of mortgage will have and also guidelines that each lender will have.

Negative Items On A Credit Report Are A Common Reason A Mortgage Is Denied After Pre-Approval

One of the most common reasons a mortgage is denied is because of a negative impact to a buyers credit score. It's extremely important that a buyer knows what their credit score is when they get pre-approved and have a strong understanding of how credit scores impact mortgages.

A buyer who has a credit score in the low 600's needs to be extra careful once they get pre-approved that they have no negative impacts on their credit. Certainly a buyer with scores in the 700's should be careful as well, however, there is obviously quite a difference between a 610 and 710 credit score.

Bottom line, if you have been pre-approved, continue to make sure you pay bills on time and also monitor what your credit score is. A popular website that monitors credit for free is Credit Karma, but it's not accurate!

Finding out a week before a target closing that your loan has been denied can be devastating!

ADDITIONAL DEBT(S) ARE INCURRED

Another very common reason a mortgage is denied after a pre-approval is because a buyer takes on additional debt.

Ask any experienced real estate agent if they've had any situations when their buyer takes a loan out for a brand new car after they've had their offer accepted on a home.

The chance that the real estate agent has is pretty high. It's important that when buying a home and you've been pre-approved that you don't add any additional debts or credit lines.



This can have a huge impact on debt to income ratios and ultimately can lead to a mortgage that is denied.

LOAN REQUIREMENTS OR LENDER GUIDELINE CHANGES

It's possible that after a pre-approval is issued that a lender or mortgage product may experience changes to their requirements and guidelines.

For example, if a lender allows a buyer to have a 620 credit score and changes their requirement to a 640, this can lead to a mortgage denial if they choose to apply it retroactively.

Other changes to loan requirements or lender guidelines that could lead to a mortgage being denied after pre-approval may include:

- **Debt to income guideline changes**
- **Amount of reserves (savings) required of buyer**

ISSUES WITH APPRAISAL

It varies from lender to lender, however, some lenders will issue a mortgage pre-approval for a buyer subject to a satisfactory bank appraisal. The reality is that there can be issues with the bank appraisal. Many of the issues with a bank appraisal are fairly common.

Issues with Title

If title searches are not performed upfront or code violations come back.

TIPS TO MAKE SURE YOUR MORTGAGE DOESN'T GET DENIED AFTER PRE-APPROVAL

Some additional tips to help ensure your mortgage is not denied include:

- Don't take on additional lines of credit
- Don't increase your debts
- Don't make any large deposits into your bank accounts without having proof as to where they came from
- Don't withdraw large amounts of money from your bank accounts
- Continue to save money in the event your closing expenses are more than originally estimated
- Provide all requested documentation to lender in timely fashion

LET'S TAG TEAM THIS DEAL!

