

# 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!**

