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The Top 13 Don'ts During the Loan Process

1. **DON'T DO ANYTHING THAT WILL CAUSE A RED FLAG TO BE RAISED BY THE SCORING SYSTEM.** This would include adding new accounts, co-signing on a loan, changing your name or address with the bureaus. The less activity on your reports during the loan process, the better.
2. **DON'T APPLY FOR NEW CREDIT CARDS OF ANY KIND.** Including those "You have pre-approved" credit card invitations that you receive in the mail or online. Every time that you have your credit pulled by a potential creditor or lender, you lose points from your credit score immediately.
3. **DON'T PAY OFF COLLECTIONS OR CHARGE OFFS** during the loan process. Unless you can negotiate a delete letter, paying collections will decrease the credit score immediately due to the date of last activity becoming recent.
4. **DON'T MAX OUT OR OVER CHARGE ON OUR CREDIT CARD ACCOUNTS.** This is the fastest way to bring your scores down 50-100 points immediately. Try to keep your credit card balance below 30% of their available limit during the loan process. If you decided to pay down balances, do it across the board. Meaning, pay balances to bring your balance to limit ratio to the same level on each card (i.e. all to 30% of the limit, or all to 40% etc.)
5. **DON'T CONSOLIDATE YOUR DEBT ONTO 1 OR 2 CREDIT CARDS.** It seems like it would be the smart thing to do, however, when you consolidate all of your debt onto one card, it appears that you are maxing out that card, and the system will penalize you as mentioned above in 4. If you want to save money on credit card interest rates, wait until after closing.
6. **DON'T CLOSE CREDIT CARD ACCOUNTS.** If you close a credit card account, you will lose available credit, and will appear to the FICO that your debt ratio has gone up. Also, closing a card will affect other factors in the score such as length of credit history.
7. **DON'T PAY LATE.** Stay current on existing accounts. Under the new FICO scoring model, one 30-day late can cost you anywhere from 50-100 points, and points lost for late pays take several months if not years to recover.
8. **DON'T ALLOW ANY ACCOUNTS TO RUN PAST DUE- EVEN 1 DAY!** Most cards offer grace period, however, what they do not tell you is that once the due date passes, that account will show a past due amount on your credit report. Past due balances can also drop scores by 50+ points.
9. **DON'T DISPUTE ANTHING ONN OUR CREDIT REPORT** once the loan process has started. When you send a letter of dispute to the credit reporting agencies, a note is put onto your credit report, and when the underwriter notices items in dispute, in many instances, they will not process the loan until the note is removed and new credit scores are pulled. Why? Because in some instances, credit scoring software will not consider items in dispute in the credit score – giving false data to the lender.
10. **DON'T MAKE ANY NUSUAL TRANSACTIONS.** Do not move money from one account to another. No split deposits and withdrawals must be clearly traceable.
11. **DON'T PAY EARNEST MONEY FROM SOMEONE ELSE'S ACCOUNT.** Earnest money must match the bank statement exactly. Do not purchase a cashier's check or money order with part cash and park check. The cashier's check or money order must match the amount withdrawn from the bank account exactly.
12. **DON'T RECIVE CASH AS A GIFT FOR DOWN PAYMENT.** Gift funds must be documented with a gift letter and the amount of the gift must match the donor's bank account and the recipient's bank account exactly. Copies of bank statements from both the donor and recipient are required.
13. **DON'T LOSE CONTACT WITH ME.** If you have a question about whether or not you should take a specific action that you believe may affect your credit reports or scores during the loan process, I may be able to suppl you with the resources you need to avoid making mistakes that could drop our credit scores or possibly, cause you to lose the loan.