

## **10 Commandments for Home Buyers**

### **I. Thou shalt not change jobs, become self-employed, or quit your job.**

If potential buyers are looking at location, location, location, potential lenders are looking for consistency, consistency, consistency. Someone who changes jobs frequently or has a on-again, off-again work schedule sends up red flags of caution to a loan officer. As Fido can tell you, it's best to sit, stay. Change jobs *after* you change your mailing address.

### **II. Thou shalt not buy a car, truck, or van (or you may be living in it).**

Your lender wants to be absolutely sure you will pay them back. Funny how it works that way. One way to show them you are reliable is to hold off on making sizeable purchases.

### **III. Thou shalt not use credit cards excessively or let current accounts fall behind.**

Excessive credit card use or failing to pay bills on time puts some serious dings on your credit score by negatively impacting your debt-to-income ratio—something a loan officer looks at closely. Stay the course. Pay monthly bills and do not open any new lines of credit.

### **IV. Thou shalt not spend money that you have set aside for closing.**

The old saying, slightly tweaked, works here: You use it, you lose it. Don't jeopardize your ability to pay closing costs by spending the money you've set aside for that specific purpose. The new, shiny, got-to-have-it-today *anything* can wait.

### **V. Thou shalt not omit debts or liabilities from your loan application.**

Seriously. In today's age of find-anything-on-the-internet, do you *really* think people can hide the \$30,000 owed in back taxes or unpaid electric bills for the last six months? Even fudging on small debts or liabilities will make your dream home just that...a dream. Tell it all on your loan application.

### **VI. Thou shalt not buy furniture.**

Yes, that new sofa and recliner would look fabulous in your new-home-to-be. But remember Commandments II and III? The same principles apply here. Stay the course. The furniture can wait.

### **VII. Thou shalt not originate any inquiries into your credit.**

Every time you make an inquiry about your credit, your credit score loses a few points. If you only have a few accounts or a short credit history, credit inquiries can have a greater impact on your score. If you really, really need to see your score, you can request a free copy of your credit report from each of the three major credit reporting agencies – Equifax, Experian, and TransUnion – once each year at [annualcreditreport.com](http://annualcreditreport.com). It's smart to request a credit report from each of the three credit reporting agencies and to review them carefully.

### **VIII. Thou shalt not make large deposits without checking with your loan officer.**

If Mom wants to give you a significant cash gift—anything more than 50% of your monthly income—to help with the down payment make sure the lender understands it's a gift and not a loan. To do this, the donor—in this case Mom—will need to write a gift letter to the lender and include her relationship to you, the property's address, the total amount of money gifted, transaction date, and a statement saying she is expecting nothing in return.

### **XI. Thou shalt not change bank accounts.**

Hate your bank or credit union? Don't jump ship just yet. Switching accounts during a home loan process may prevent you from printing off copies of recent statements. Unless you receive and keep paper statements, this can really get you into a jam with your loan officer if you're asked to prove your income, spending, or identity.

### **X. Thou shalt not cosign a loan for anyone.**

Cosigning a loan for anyone at any time is *never* a good idea. No matter who it is and why the loan is needed, the bottom line is this: if the person you cosign for defaults on the loan, the bank *will* expect you to fulfill the financial obligation. Such an unanticipated expense can wreak havoc with your ability to pay your home loan.