American Mortgage™

The Top Ten ways to SCREW up a Mortgage Approval!!!

1. **Making a purchase** or opening a new account during the process of purchasing a home - ***** Most lenders will now update the credit report a few days prior to closing ***** (Buyers get excited and want to start buying Appliances and furniture, and other items for their new home. It is imperative that they hold off until after closing.)

2. **Stop making payments** on an account or missing payments. ******* I once had a borrower who decided to miss a few car payments in order to save up more money for down payment. ***** Not smart.

3. **Closing accounts** - Buyers should not make any changes at all to accounts if they are thinking about purchasing a home, this includes closing any accounts that are already open, whether they have a balance or not. (This could affect the require # of open accounts)

4. **Opening New Accounts** – Inquires to your credit and opening new accounts poses a risk to lenders because they are qualifying you based on existing debt. Even if there is not a balance on the account when it is opened, it gives the opportunity for the buyer to increase their debt to income ratio.

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5. **Disputing accounts** – Buyers tend to think that if they dispute something on their credit then it will go away or will not be taken into consideration. This is not the case and disputed accounts will stop a mortgage in its tracks.

6. **Cash advances –** Cash advances on credit cards or other non-secured debt is not acceptable for down payment. Even if they used that money for other reasons, it will not be considered in their assets.

7. **Do NOT co-Sign for a loan –** People don't understand that there is really no such thing as "Co-Signing". If you Co-sign for someone to buy something you are equally as obligated to pay that account as the person you signed for. The lender will come after you if the primary stops making the payment, and it will hurt your credit.

8. **Changing or Quitting your Job –** Again, banks will do a last minute verification of employment the day before closing to make sure the borrower is still employed. (If a opportunity comes up for a promotion or change and it is a better opportunity, many times we can make it work, as long as we know about it)

9. **"Large" Deposits into a bank account –** A Large deposit today is defined at any deposit that is more than 10% of the borrowers gross income. (Example if the borrower makes $3,000 a month, then $300 would be a large deposit.) All Large Deposits must be sourced and verified. **Cash deposits** are NOT acceptable in most cases.

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10. Don't Lie – Omitting information, "fudging" numbers, providing false documentation, and flat out lying on a mortgage application is FRAUD.

Mortgage fraud is a crime in which the intent is to materially misrepresent or omit information on a mortgage loan application to obtain a loan or to obtain a larger loan than would have been obtained had the lender or borrower known the truth.

In United States federal courts, mortgage fraud is prosecuted as wire fraud, bank fraud, mail fraud and money laundering, with penalties of up to $1,000,000 in fines and thirty years imprisonment. As the incidence of mortgage fraud has risen over the past few years, states have also begun to enact their own additional penalties for mortgage fraud.

Mortgage fraud is not to be confused with predatory mortgage lending, which occurs when a consumer is misled or deceived by agents of the lender. However, predatory lending practices often co-exist with mortgage fraud.

Occupancy fraud: This occurs where the borrower wishes to obtain a mortgage to acquire an investment property, but states on the loan application that the borrower will occupy the property as the primary residence or as a second home.

Income fraud: This occurs when a borrower overstates his/her income to qualify for a mortgage or for a larger loan amount. This was most often seen with so-called "stated income" mortgage loans (popularly referred to as "liar loans"), where the borrower, stated without verification the income needed to qualify for the loan. Because mortgage lenders today do not have "stated income" loans, income fraud is seen in traditional full-documentation loans where the borrower forges or alters an employer-issued Form W-2, tax returns and/or bank account records to provide support for the inflated income.

Failure to disclose liabilities: Borrowers may conceal obligations, such as mortgage loans on other properties or newly acquired credit card debt, to reduce the amount of monthly debt declared on the loan application. This omission of liabilities artificially lowers the debt-to-income ratio, which is a key underwriting criterion used to determine eligibility for most mortgage loans. (Not all debt is reflected on the credit report)

Shotgunning: Occurs when multiple loans for the same home are obtained simultaneously for a total amount greatly in excess of the actual value of the property. These schemes leave lenders exposed to large losses because the subsequent mortgages are junior to the first mortgage to be recorded and the property value is insufficient for the subsequent lenders to collect against the property in foreclosure.

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