

As soon as you start planning to buy a house, there are a few essential financial steps you need to take to ensure you qualify for a home loan. Most lenders would recommend you avoid doing the following things as you go through the pre-approval process:



Don't buy or lease a car, boat or anything with a motor.

Remember, lenders are looking at your debt-to-income ratio. Adding a new monthly payment or using your savings to make a big purchase can prevent you from qualifying.



Don't move assets from one account to another.

Transfers show up as new deposits which complicate the lender's check of your accounts. You will have to disclose and document every transfer. Wait until after you've bought a house to consolidate accounts. If you make any large deposits or withdrawals, talk to your loan officer as you may need to document them.



Don't buy furniture or appliances.

We know it's exciting to start planning for a new house but if these purchases increase your debt, it might disqualify you. Even if you don't use a credit card, you'll still need that cash for closing costs.



Don't change jobs.

This includes becoming self-employed. A new job may involve a probation period which must be fulfilled before your new income can be considered valid for loan qualification. Talk to your loan officer if you know a change in your employment is imminent.



Don't apply for any new credit!

This should be a no-brainer! Do not apply for any new credit cards since these will show up as inquiries on your credit report.



Don't cosign any loans.

Again, minimize your debt and don't add more inquiries to your credit report.



Don't change banks.

Make it as simple as possible for your loan officer to document your accounts.



Don't pack or ship important documents.

Important paperwork like your W-2s, divorce decrees, bank statements, pay stubs and tax returns should not be packed up with your household goods. Duplicate copies can take weeks to get and will stall the home loan process.

What Should You Be Doing?

If you're avoiding touching your bank accounts in any big way, what should you be doing during the homebuying process?

- Make a budget and stick to it
- Pay all your monthly bills on time
- Locate and keep your income statements, W-2s and tax returns together
- Get your bank and investment statements
- Save the money you need for closing costs