

# the Mortgage Bulletin

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## Top ten things buyers should not do

Buyers continue to do things that can jeopardize the close of their mortgage loans. So today's Weekly is addressed to today's crop of new buyers and any old buyers who may have forgotten previous warnings in past Weekly Bulletins.

The "don't do" list includes several things that can adversely impact credit scores. High credit scores are good. Low scores aren't so good. Lenders increasingly use credit scores to assist in mortgage decisions including: loan approval, loan pricing, and loan product availability. So, pay close attention to the following list. If you are a Realtor, make sure your buyers get a copy of this. If you are a buyer, make sure you carefully read this and keep a copy. Buyers should never do any of the following things between making the initial loan application and closing escrow.

11) Don't even go shopping for a car, not to mention, don't buy one. If you must visit the showroom, don't give out your social security number to anyone. This enables the dealer to check your credit. Each credit inquiry lowers your credit score even if you do not buy a car.

10) Don't respond to "you are pre-approved for a credit card" mailings. A credit inquiry might result, and thus the same impact as 11), above.

9) Don't incur any new debt. This increases your debt-to-income ratio, potentially reducing the amount you can borrow. It can also lower your credit score because new debt has a slight negative impact on credit scores.

8) Don't file for divorce. This is not advice a la Dear Abby. Once you file for divorce, most lenders will not make a mortgage loan until the final decree, setting forth settlement terms, is recorded.

7) Don't move money designated for down payment from one account to another. This can create confusion. If you move

funds, advise us in advance and keep a detailed paper trail. Lenders may request it.

6) Don't sell stock for down payment without keeping a record of the liquidation. Same reasoning as 7) above.

5) Don't consolidate credit card debt from several cards into one. A new card with one balance at the limit will lower your credit score compared to three cards, each with balances below the limit.

4) Don't leave town without leaving a contact phone number until all loan approval conditions are met. You may be needed for a decision or to provide additional documentation.

3) Don't quit or change your job. Lenders are likely to call your employer just before the loan records to verify you're still there. If you aren't, the lender will stop the loan from recording.

2) Don't fail to inform your loan agent of any changes to the transaction. Last minute changes such as lender holdbacks, seller credits or required termite work can create havoc with closing dates.

1) Don't forget to make the payments on any of your present loans or credit cards. This is obvious, but there's a lot going on once you start the process and once in awhile it happens – in the rush of events you forget to make a payment. And since credit reports have a normal 120 day shelf life, it is quite likely that an updated report will be necessary before finding and closing on a house. If a late payment shows up, this can put the loan (and escrow close) in jeopardy.

All is not necessarily lost if a buyer does one of the above "don'ts." We can usually minimize or eliminate permanent damage to the transaction, even though delays and stress can occur. And finally, yes, we know there are eleven items in the top ten. Sorry about that. Ten is too short to hold the entire list.

### Conforming Loans to \$359,650

| Type      | Rate   | APR    | Trend |
|-----------|--------|--------|-------|
| 30 Yr FIX | 5.875% | 5.956% | →     |
| 15 Yr FIX | 5.625% | 5.506% | →     |
| 5/1       | 5.625% | 6.293% | ↑     |
| 3/1       | 5.500% | 6.371% | ↑     |

### Jumbo Loans above \$359,650

|            |        |        |   |
|------------|--------|--------|---|
| 30 Yr FIX  | 6.250% | 6.311% | ↑ |
| 15 Yr FIX  | 5.875% | 5.973% | → |
| 10/1       | 6.000% | 6.1293 | → |
| 7/1        | 6.000% | 6.359% | → |
| 5/1        | 5.750% | 6.337% | → |
| 10 Yr Bond |        | 4.361% | ↑ |
| Prime      |        | 6.750% | → |

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