

# DO'S AND DON'TS DURING THE LOAN PROCESS

## TIPS FOR A SMOOTH LOAN CLOSING

You probably know that there are beneficial things that you can do during the loan process to help speed up the process; however, did you also know there are things that can be a hindrance? Below are tips to help guide you through the do's and don'ts during the loan process.

**Don't apply for new credit of any kind.** If you apply for new credit, that company will pull your credit report and this will have an adverse effect on your credit score. Likewise, don't establish new lines of credit for furniture, appliances, computers, vehicles, etc. as this new debt will have to be factored into your debt-to-income ratios and may affect your qualifications.

**Don't close credit card accounts or consolidate debt from multiple cards to one or two cards.**

If you close a credit card account, it can affect your ratio of debt to available credit. When you close an open account, your total available credit limit is reduced by that amount of credit limit for that card. By combining card debt, it will also change your ratio of debt to available credit.

**Don't max out or over charge existing credit cards.** Running up your credit cards is the fastest way to bring your score down even if you never miss a payment. Try to keep your credit cards below 30% of the available credit limits at ALL times.

**Don't raise red flags to the underwriter.** Don't co-sign on another person's loan or change your name or address.

**Don't deposit cash.** In most cases, cash on hand and unsecured funds are not an acceptable source of funds for down payment or closing costs. Any large OR unusual deposits will need to be documented with a paper trail to determine if the source of the funds is acceptable or not. If not, you will not be allowed to use those funds and they will not be counted toward required monies for closing.

**Don't change jobs or voluntarily take a layoff or reduced hours.** This could potentially mean the difference between an approval and a denial. Make sure you continue working in the same pattern as always. If you must change jobs, call your loan officer BEFORE you do so.

**Do stay current on existing accounts.** Late payments on your existing mortgage, auto loan, or other credit accounts that can be reported to a Credit Reporting Agency (such as TransUnion) can have serious negative effects on your score.

**Do call your loan officer.** If you have any questions about taking any action that you feel could be questioned or have an adverse effect on your credit score, call your loan officer first to see how it may impact your loan process.



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