

Preparing for Pre-Approval

The DO List

- Prepare your documents
 - Get current on filing income taxes
 - Assemble the prior two months W-2s and bank statements
 - If you're self-employed, you'll need the prior 2-years income tax filings including K-1s
- Run your credit
 - Ensure all items are accurate. If not, file a dispute with the credit bureau
 - If there are lingering items like old utility bills or medical expenses for small amounts, it's best to pay them off
 - Get current on all bills—there should be no missed payments or past due accounts
- Save, save, save
 - Andrew recommends that, rather than paying more than the minimum on your monthly bills, save that money. That way, you and your loan officer can work together to choose the bills that will have the best impact on your credit score.

The DON'T List

- Don't Quit your job or change jobs without talking to your loan officer
- Don't make large cash deposits—money-laundering laws require that cash be in your account at least 2 months prior to applying for your mortgage
- Don't have your credit run by others—multiple credit pulls will lower your credit score.
- Don't buy a new car, take on new debt or make large purchases
- Basically, don't surprise your loan officer. When in doubt, call your loan officer and ask whether what you plan to do could hurt your chances of getting a great mortgage.

There are three buckets that lenders scrutinize when deciding whether to loan you money:

1. Credit Score

- a. The absolute minimum is 620; 740 or more is great and gives you the best rates and most options.
- b. Pay everything on time; having an overdue bill for \$1 has the same impact as a \$10,000 overdue bill.
- c. Keep an eye on your score and resolve any issues or inaccuracies immediately.

2. Down payment

- a. 25% for a multifamily, non-occupant.
- b. 20% for a single-family, non-occupant.
- c. As low as 3.5% for owner occupant.
- d. The bank is looking for at least three months of payments in reserves after down payment.

3. Debt-to-Income Ratio

- a. Minimum payments on all monthly bills divided by monthly income.
- b. Target is 43%, max is 50%.
- c. 75% of rental income from the property counts toward your income.