CLIENT EDUCATION GUIDE

Top 10 Mortgage Killers

What You Don't Know Can Cost You the Deal

Mortgage applications don't fall apart at random. The causes are predictable — and almost entirely preventable.

The ten items below account for the vast majority of files that get delayed, re-underwritten, or denied outright. Knowing them in advance is the single best way to keep your loan on track from application to closing.

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The Most Common Application Killers

#1 Cause	#2 Cause	#3 Cause	#4 Cause
Undisclosed Debt	Job Change During Process	New Credit Pre-Closing	Unexplained Deposits

1 Undisclosed Debt — The Landmine You Forgot About

When you apply for a mortgage, underwriters don't just look at the debts you list. They cross-reference your application against credit bureau data. A credit card you forgot to mention, unpaid Federal Debt, a co-signed auto loan, back child support, undisclosed properties— it surfaces in underwriting. Even miscalculated deferred student debt can derail a loan.

Program	Deferred / IDR Student Loan Treatment
Fannie Mae (Conventional)	0.5% of the outstanding balance counts toward DTI — or the actual documented IDR payment if it is greater than $0.
FHA	Similar 0.5% rule, but it applies even when the documented IBR payment is $0.
VA	Deferment can be excluded from DTI if the deferral period extends 12+ months past closing.

These rules vary by program — another reason to know which loan fits your profile before you assume your debt load disqualifies you. Omitting a debt creates a documentation burden at the worst possible time. Disclose everything.

2 Job Changes at the Wrong Time

Lenders underwrite the stability and continuity of your income, not just the amount. Not all job changes are equal: a promotion within the same employer and field is generally fine — but the scenarios below create real risk.

- W-2 to self-employed— lenders typically require two full years of self-employment income before it can be used in qualifying.
- Salary to commission — commission income generally requires a 2-year documented history; without it, only base salary is typically counted.
- Changing industries entirely with a simultaneous pay structure change.
- Changing jobs frequently without a documented benefit with every change prior to application can pose a problem even if automated underwriting (AUS) results in a preliminary approval. Lenders have a right to analyze risk in a file and determine the risk is too high beyond the AUS determination.

A lateral move to a higher-paying role in the same field is usually not a problem, but always notify your lender before any employment change — before, not after.

3 Large, Unexplained Deposits

Every dollar in your bank accounts needs a documented source. Underwriters review 60 days of bank statements in detail. A large deposit that can't be traced to a verifiable, acceptable source creates a problem — lenders must confirm your down payment isn't borrowed money, and cash deposits must be reviewed in compliance with the PATRIOTACT.

Move money early, document the source of every significant deposit, and keep your accounts stable during the 60-day window before application.

4 Applying for New Credit Between Pre-Approval and Closing

This is the single most common self-inflicted wound in the mortgage process: new credit prior to close. A buyer gets pre-approved, goes furniture shopping, and opens a store credit card. The new account shows up on a credit check at closing. The underwriter accounts for the new monthly payment. The DTI has increased. The file is now in jeopardy.

The rule is simple: do not apply for any new credit from pre-approval to closing. Wait until you have keys in hand.

5 Credit Score Drops During the Process

Your credit isn't just pulled at application — on some programs, a soft credit refresh happens closer to closing. If your score has dropped materially since application, it can affect your rate, change your program eligibility, or make the loan unapprovable.

Common causes: a new late payment, a spike in credit card utilization from a large purchase, a new collection appearing. During the mortgage process, pay every bill on time, keep credit card balances flat, and avoid anything that could negatively affect your credit profile.

6 Tax Returns That Don't Match the Story

This trips up high-earning, successful people most often. A business owner who grosses $600,000 but writes off $450,000 in legitimate expenses shows $150,000 in adjusted gross income — and qualifies based on that $150,000.

Bank statement loan programs exist for exactly this scenario, but they carry higher rates. If you're aggressive with your tax strategy, have an honest conversation with your mortgage advisor before you apply.

7 Property Issues That Fail the Appraisal or Inspection

A mortgage underwrites the collateral, not just the borrower. The property must be worth what you're paying and meet condition standards for the loan program.

In rural areas, common issues include: properties on unpermitted well or septic systems, acreage with access road issues, homes with deferred maintenance, and structures built without permits. For FHA and USDA loans, additional minimum property standards apply. Know the property before you make an offer.

8 Title Problems

Title is the legal documentation of who owns the property and what claims exist against it. Problems that kill deals: undisclosed liens (unpaid contractor invoices, mechanic's liens, property tax liens), chain of title issues, HOA delinquencies that attach to the property, and easement disputes.

In rural Western properties, where ownership histories can be complex and properties may have changed hands informally over generations, title reviews deserve extra attention.

9 Borrower Behavior That Signals Financial Instability

Underwriters are pattern readers. A file that shows financial discipline flows through quickly. A file that shows volatility — large balance swings, multiple NSF fees, irregular income deposits — creates questions.

This matters even for high-net-worth borrowers. If your bank statements show a pattern of overdrafts or repeated large cash withdrawals, expect questions. Your financial picture needs to tell a coherent story.

10 Waiting Too Long to Get Pre-Approved

The final killer is strategic: starting the process too late. In active markets, the right property goes fast. If you need two weeks to gather document and complete the application, and the lender needs three days to review for pre-approval, you've already lost the deal before you submitted an offer.

Pre-approval is a competitive tool. In some cases, a well-documented pre-approval can shorten the financing contingency period, making your offer more attractive. Start early, and get pre-approved before you fall in love with a house.

Prevention is everything. A well-prepared file rarely encounters these problems. Desiree reviews every client's financial picture before application to surface and does her best to solve issues in advance.
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