

Don't jump ship until you're in your new home

As we've mentioned before, buying a house is perhaps the biggest purchase you are ever going to make in your life. So don't hurt your chances of getting a mortgage approval by upsetting the status quo.

Lending institutions of any kind prefer to have some consistency in your financial life. For example, when a lender reviews your loan package for approval, one of the things they are concerned about is the source of funds for your down payment and closing costs. And if you have a steady source of income.



Most likely, you will be asked to provide statements for the last two or three months on any of your liquid assets. This includes checking accounts, savings accounts, money market funds, certificates of deposit, stock statements, mutual funds, and perhaps even your company retirement accounts.

If you have been moving money between accounts during that time, there may be large deposits and withdrawals in some of them. The mortgage underwriter (the person who actually approves your loan) will probably require a complete paper trail of all the withdrawals and deposits. You may be required to produce cancelled checks, deposit receipts, and other seemingly inconsequential data, which could get quite tedious.

However, to ensure quality control and eliminate potential fraud, it is a requirement for most loans to completely document the source of all funds. Moving your money around, even if you are consolidating your funds to make it "easier," could make it more difficult for the lender to properly document. So leave your money where it is until you talk to a loan officer.

Another thing that might play a part in getting your mortgage approved is having a steady job. Or at least, a steady source of income.

For most people, changing employers will not really affect your ability to qualify for a mortgage loan, especially if you are going to be earning more money. For some homebuyers, however, the effects of changing jobs can be troublesome for your loan application.



If you are a salaried employee who does not earn additional income from commissions, bonuses, or over-time, switching employers should not create a problem. The same is true for hourly waged employees if you work a straight forty-hours-week without overtime. Just make sure to remain in the same line of work. Hopefully, you will be earning a higher salary, which will help you better qualify for a mortgage.



On the other hand, if a substantial portion of your income is derived from commissions, you should not change jobs before buying a home. This has to do with how mortgage lenders calculate your income. They often average your commissions over the last two years.

In this case, changing employers creates an uncertainty about your future earnings from commissions. There is no track record from which to produce an average. Even if you are selling the same type of product with essentially the same commission structure, the lender cannot be certain that past earnings will accurately reflect future earnings.

Changing jobs then could realistically have a negative impact your ability to buy a home.

Another situation to consider is if a substantial portion of your income on the new job will come from bonuses. Here you may want to consider delaying an employment change as well.

Mortgage lenders will rarely consider future bonuses as income unless you have been on the same job for two years and have a track record of receiving those bonuses. Then they will usually average your bonuses over the last two years in calculating your income. Changing employers means that you do not have the two-year track record necessary to count bonuses as income.

And finally, if you're considering leaving your current job with someone and launching out on your own, don't do it. At least not until the your into your new house.

Lenders usually like to see a two-year track record of self-employment income when approving a loan. Plus, self-employed individuals tend to include a lot of expenses on the their tax returns, especially in the early years of self-employment. This minimizes your tax obligation, but it also minimizes your income to qualify for a home loan. Delay as well if you if you are considering changing your business from a sole proprietorship to a partnership or corporation.

So in short, don't rock the financial boat before your get approval for your mortgage. If this means keeping a job you don't care for, for a few more weeks, or a month or more, so be it. You'll be glad you waited when you get into your new home.