

10 Reasons Your Loan Application Could Be Rejected

Whether you're planning to buy or sell a home in 2009; it will serve you well to watch out for these common mistakes.

You apply for a loan, you think you've done everything right, but you end up rejected and dejected. Or, alternatively, you're about to apply for a loan but are staying up nights worrying about the lender throwing your application in the nearest trash can. Avoid the worry, dejection and upset by being prepared. A recent Realty Times article gives 10 reasons why loan applications are denied. There are several common reasons that loan applications are rejected. Scan this list from Realty Times to learn how you can avoid rejection.

1

Applying for too much money.

If you are in denial about what you can really afford, your loan application might be rejected in mere seconds. Instead, let the lender decide what you can afford to borrow and then decide what you can afford to pay each month. When looking to buy a house, you should get preapproved with a carved-in-stone preapproval that guarantees a loan amount, interest rate and other loan terms.

2

Bad preparation.

Get all your ducks in a row before applying for a loan. You will need an avalanche of documents, so get as many as you can ready to go. Include pay stubs, investment statements, tax returns, current and past addresses and bank statements.

3

Lack of understanding.

Many loan applicants will need loan programs and terms explained. Your lender can help you understand the array of loan terms you may not be familiar with. This will help you become savvier about and involved in the process.

4

Lack of understanding, part II.

Understanding loan jargon is the first step. You will also need a working knowledge of what happens during processing, underwriting and closing. This is crucial to making sure that everything goes your way and goes smoothly. You also need to understand time frames, responsibilities of all parties and documentation needs. Make sure you get a Good Faith Estimate of your closing costs to ensure you understand what you will need to pay. This is also a good reference to use to gauge if everything is as it should be.

5

Third-party problems.

Unfortunately, the multiple parties who will need to coordinate your loan may not always be in sync. Although credit reports and appraisals are typically on time, investment reports, tax returns and home inspections may require extra effort on your part to meet deadlines.

6

Self-employment.

Although being self-employed is not a problem in itself, you will need more documentation to apply for a loan. If you work at home, are paid on commission only or own 25 percent or more of a business, you are self-employed. You will need to show past years' tax returns as proof of income and communicate your employment status before initiating the lending process.

7

Property repair problems.

If you have a government loan on a home in need of repair, you will need to come with instructions explaining who will be responsible for repairs and when the repairs will occur. You can ask your lender for assistance on this.

8

Unexplained credit problems.

One of the most important things to do before applying for a loan is to check your credit report. You will need to check for any errors that can be corrected, problems you need to explain or delinquencies you can clean up.

9

Unverified closing funds.

If you need to pay a sum at closing, such as a down payment, you may need to show bank statements or other financial documents proving you have the funds, showing how long they have been in place, etc.

10

Poor communication.

There are many parties involved in any real estate transaction, including the buyer, seller, real estate agents, lender, home inspectors, attorneys and possibly many more. Each person must have a good understanding of what is going on during the process. A good lender or real estate agent is crucial to making sure everything goes well. Bad communication can mean that the deal falls apart.

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