

# Mortgage Complexity Assessment

Lenders sometimes deny the mortgage application, even after giving you a Pre-Approval. Why does this happen? **The Pre-Approval Letter is not a promise to give you a mortgage.** It's more of a reassurance to the sellers that you've spoken with a Loan Officer who has (or has not) done a good job of reviewing your eligibility to obtain financing.

Go through these ten questions to see how complex your finances are. If you answer Yes to any of these questions, then your loan is a little more complicated than someone else's. A score of 0 indicates very low complexity. Get as many quotes as you can, and work with the lowest cost lender. A score of 10 indicates high complexity. Work with a highly trusted mortgage professional who will get the job done right.

As the owner of a mortgage company, and as a Loan Officer myself, I know that complex loans will require a lot more of my time, around 50 hours in fact. But for simpler loans, the time I spend may be as low as 25 hours. What does that mean for you? **Because simpler mortgages require less effort and attention from the Loan Officer, you should feel confident working with a lower cost lender and compare multiple offers. However, if your finances are more complex, you will want more specialized attention from a true expert, and you should be cautious of working with the cheapest lender.**

**I have been at my current job less than 2 years.**

Yes No N/A

*Lenders are okay with a new job (if you can provide at least one paystub), but they are going to require that all employers confirm your start and end dates and if there are any gaps, this could result in a lender denial (unless explained properly).*

**In the past 2 years, I was unemployed for more than 30 days.**

Yes No N/A

*Lenders care about your work history during the past 2 years. That's it. Small gaps are okay, but any gaps more than 30 days should be discussed with the Loan Officer up front, to make sure the lender will accept the reason for the gap. They may not accept a reason that suggests the gap could happen again. The reason for a large gap will need to be supported by evidence.*

**I receive income that is inconsistent and unpredictable (like overtime, bonus, commission, 1099, or self-employment).**

Yes No N/A

*Lenders can and do approve mortgages for people with these types of income, but the income must meet specific requirements, specifically a 2-year look-back period to confirm that the income is stable, received regularly, and is likely to continue.*

**If I had to bring a 10% down payment, I wouldn't be able to.**

Yes No N/A

*Lots of home buyers bring only a 5% down payment, and First Time Buyers can bring as little as 3%. But keep in mind that if you are tight on cash, anything that happens to your funds between now and closing day could jeopardize your final mortgage approval. Be cautious if you are tight on cash and make sure you know exactly how much you'll need to set aside.*

**My credit score is below a 720.**

Yes No N/A

*Lenders approve loan applications with scores as low as a 580 (for FHA) and mid-600s (for Conventional). But if your credit score is below a 720, there may be some easy things to improve your score by 5 points. Bringing a score of 715 to a 720 saves you money, since lenders have better pricing for borrowers with scores of 720-739 (and 740-759, and 760+). Savings could be \$2000, for just a 5-point gain.*

**40% (or more) of my income goes to my housing expense.**

Yes No N/A

*Lenders care about one thing: are you able to repay the mortgage? They answer this question by comparing your new housing payment to your monthly income. If you make \$6000/month and plan to buy a home with a payment over \$2400/month, that's more than 40%. The chances are high that lenders will have more difficulty finding a way to give you an approval. What is the housing payment? It's the annual property tax and home insurance and HOA dues, if any (divided by 12) added to the monthly mortgage payment (and monthly mortgage, if any). Ask your Realtor to help you calculate this payment.*

**I have a friend who will provide me with gift funds.**

Yes No N/A

*While it's great that a friend can help you, most lenders look at money transfer between unrelated people as loans, not as gifts, and loans require repayment which means the lender needs to document the amount of monthly repayment. Even though your friend does not expect repayment, be prepared for a lender to deny the use of their funds, unless you know how to properly document the transfer. A Gift Letter is often insufficient and rejected by many lenders.*

**I will pay down (or pay off) some of my existing debts.**

Yes No N/A

*Paying off debt. Feels great, right? But what could this do to your credit score? Paying debts off, or down, can make it trickier to get mortgage approval. Lenders might ask where the money came from. Best to wait to do any debt restructuring until you understand all of the implications.*

**I will be applying for the mortgage with another person.**

Yes No N/A

*Adding a co-borrower might be a good idea. After all, lenders love to see two people promising to pay them back. Two is better than one, right? But if the co-borrower has a credit score lower than yours, adding them to the loan might result in higher lender fees or a higher rate, since the lower credit score is the one used by all lenders nationwide to set the price of the loan they offer to you.*

**I own other property (like a current home or a rental home)**

Yes No N/A

*If you're buying your first home, there's no other property to tell the lender about. But if you own another home, or even a vacant piece of land, or are a part owner with another person, these situations make your Pre-Approval more complex.*

**Each Yes is a 1. Add them all up.  
My Mortgage Complexity Score is a:**