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WHY CREDIT CHECKS DURING CLOSING ARE IMPORTANT

You've found your dream home. After months of searching, you're finally closing on the house that you've wanted for so long. The last thing you want to do is take any action that would interfere with the closing of your home. Since the start of your home search, your agent has probably told you time and time again not to do anything that would impact your credit score, like opening a new line of credit or making a large purchase. While this makes sense during the approval process, you may wonder why it is key to keep your credit in check until after closing. Here is an explanation of the 2 credit checks performed during the home-buying process and why it is important to maintain your credit from start to finish.

Pre-Approval Credit Check

To get a loan to purchase a home, you'll go through a pre-qualification process. You'll let your potential lender know a variety of financial information, from your credit score and employment to your marital status, as well as any number of factors that can impact your qualification. With this self-reported information, you can then be pre-approved. After that, lenders will verify the information you've provided and this is when they will pull your credit history. It is important that what you've reported matches the credit information pulled by the lender - which is why you shouldn't miss any payments or open new cards during this time. Lenders offer approval based on a risk assessment, and you do not want them to think that you are a risk.

Credit Check at Closing

The main concern of the lender is the risk you pose to them. Because it can take time for an offer to be accepted, your lender may pull a second credit check while waiting for your loan to pass underwriting. This is to ensure your credit hasn't changed since the initial credit check. If you took out a loan or created massive credit debt, you could change your debt to income ratio and your lender could decide you are too risky to loan to. This is why it is so very important to keep your credit in check before, during, and after the home-buying process!