8 Scenarios That Hurt Mortgage Qualification

Do I jeopardize my mortgage application by changing jobs before the loan closes?

Yes. The underwriter approved your application based on your documented income covering two years or longer, from one source. At closing you must certify that all the information in your application continues to be true, which short of committing perjury you won't be able to do if you switch jobs. Your revised job history will be numbered in days rather than years, which could cause a rejection.

Back in the pre-crisis days, underwriters had discretion to use their judgment in such cases. If the borrower was moving up to a better position in the same field, for example, they would let it go. In today's market, however, underwriter discretion has been markedly reduced, and the likelihood of rejection is uncomfortably high. The prudent thing to do is to defer the job change until after the loan closes. Nobody will care what you do then.

Will the rental income I receive from renting out my house during part of the year help me qualify for the mortgage I need to buy that house?

No, anticipated rental income cannot be counted as qualifying income unless it is documented in the owner's tax return for at least two years. Further, only income net of expenses would be counted, and that number would be very small or zero if you expense everything you can in order to avoid taxes.

Can I qualify using my income and my spouse's credit?

No. Good credit without the means to pay is of little value to lenders, and good income without the willingness to pay is not much better. Lenders require both capacity to pay and willingness to pay in the same person.

Before the financial crisis, married couples who had one spouse with the required income and the other with good credit often took "stated income" loans. Stated income was not verified by the lender. These loans were taken in the name of the spouse with good credit, who stated that the income of the other spouse was theirs. But stated-income loans no longer exist.

Have preapprovals become more useful to homebuyers since qualification requirements became more restrictive?

Yes and no. The main purpose of preapprovals is to establish the bona fides of potential homebuyers to home sellers and their agents, who don't want to waste time dealing with wannabe buyers who can't qualify for a mortgage. With an increasing number of potential homebuyers unable to qualify, the value of reliable preapprovals has increased.

However, the same factors that make it more difficult to qualify for a mortgage today also make preapprovals less reliable. This is especially the case with self-employed buyers, who may be rejected despite having been preapproved. Preapprovals are always subject to conditions, the most important of which is a minimum appraised value. If an appraisal comes in below the minimum, the preapproval dies.

As a "nonpermanent resident alien," can I qualify for a mortgage?

Yes, but the terms are a little stiffer because of the risk that you might be obliged to leave the country. Lenders will require a larger down payment and/or a higher interest rate. In contrast, a "permanent resident alien" suffers no penalty.

Can an excess in appraised value over the purchase price be used to meet a minimum down payment requirement?

No, the down payment requirement is based on the lower of purchase price and appraised value. Any excess appraised value is ignored.

Will sizable student debt prevent my qualifying for a mortgage?

It may if you must begin repaying the debt within the first year of the mortgage, and if the amount is large relative to income. If the payments are deferred more than a year, it is a judgment call by the underwriter who will consider the size of the student debt, your credit and perhaps other factors.

As a divorced spouse who remains liable on an existing mortgage, can I qualify for a new mortgage?

Yes, if your income is large enough to afford the payment on two mortgages. If you can afford a new mortgage but not two mortgages, you must induce your ex-spouse to refinance the mortgage in her own name. Such a provision should have been part of a separation agreement.

The only other possibility is to convince the new lender that the ex-spouse remaining in the house is sufficiently creditworthy that there is negligible risk of your having to meet two payments. That will require documentation that your ex has been making the payments on her own for at least a year.