

If you're rejected for a mortgage, how to prepare for round two

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According to the Consumer Financial Protection Bureau, nearly 40 percent of all mortgage applicants are turned down. (Credit: Getty Images)

Have you been turned down for a mortgage? You're not alone. According to new research from the Consumer Financial Protection Bureau, nearly 40 percent of all mortgage applicants are turned down.

What do you do besides sulk? Get ready for round two.

- **Prevention is the best medicine.** “Many people view their mortgage as an afterthought. They find a house, go to contract and then realize they need a mortgage. They put the cart before the horse,” says Warren Goldberg, founder of Mortgage Wealth Advisors in Plainview. “Plan ahead! Contact a qualified mortgage adviser about six months before you start your search for a home. The adviser can review your qualifications and address potential issues while they are molehills and not yet mountains.”
- **Get the facts.** After you get your letter stating why you were denied a mortgage, have a conversation with your lender to better understand why you were turned down. “They can tell you exactly what you need to improve — whether it’s your credit score, the amount of debt you carry, or other issues,” says Chris Ling, head of home buying and mortgages at NerdWallet.com.
- **Make it hard to say no next time.** Get a copy of your credit report and credit score at annualcreditreport.com before applying again. Correct any errors. “The best way to make yourself a strong applicant is to make sure to pay your bills on time and pay down any outstanding credit card balances prior to applying for a mortgage. This is because the two largest contributors to your FICO score are payment history (35 percent) and credit utilization (30 percent),” explains Joanne Gaskin, senior director of scores and analytics at FICO in Detroit.

[< back to article](#)