A RESOURCE FOR HAMILTON HOME BUYERS

PROTECT YOUR MORTGAGE APPROVAL

14 Things to Avoid Before Closing

A practical guide to keeping your financing on track, from mortgage application to closing day.

KNOW WHAT TO AVOID.
STAY ON TRACK.
CLOSE WITH CONFIDENCE.



BEFORE YOU START

Buying a home is exciting, but…

Once you've applied for a mortgage, and especially once you've had an offer accepted, the safest approach is to keep your financial situation as stable and predictable as possible.

That's because a mortgage pre-approval is not the same thing as final mortgage approval. Your lender may still need to verify your income, employment, debts, assets, down payment and the property itself. Even after an offer is accepted, there can still be conditions to satisfy.

THINK OF PRE-APPROVAL AS	NOT
"Based on what we know right now, you appear to qualify."	"Nothing can change between now and closing."

That doesn't mean you have to put your life on hold. It does mean that before making a significant financial, employment or credit change, it's smart to ask your lender first. Throughout this guide, "lender" means whoever is handling your mortgage, whether that's your bank or your mortgage broker.

PART 1 **New debt and credit** — Things 1–5 — 03

PART 2 **Your credit habits** — Things 6–7 — 05

PART 3 **Your money and paper trail** — Things 8–10 — 06

PART 4 **Your income and the process** — Things 11–14 — 07

TOOL **Your pre-closing checklist** — Print it and keep it handy — 09

PART 1

New debt and credit

01 Don’t take on new debt

A new car loan. Financed furniture or appliances. A big-ticket purchase for the new house. Each one can create a new monthly obligation and change the financial picture your lender has already assessed. Even if you can comfortably afford the payment, the additional debt may affect your ability to qualify for the mortgage you’ve been approved for.

> **ESPECIALLY WATCH OUT FOR**
> “No payments for 12 months” financing. Deferred-payment offers can still involve a new credit account or debt obligation.

THE SAFER MOVE

Wait until after closing, or ask your lender first. A few minutes of conversation can prevent a much bigger problem later.

02 Don’t apply for new credit, or a higher limit, without asking

Avoid opening new credit cards, applying for store financing or taking out new loans unless you’ve discussed it with your lender. A new credit application may result in a hard inquiry and a new account or debt obligation.

The same goes for credit-limit increases. A higher limit isn’t automatically bad. The issue is timing: the request can involve a credit check, and any change to your credit profile may matter while your mortgage is being finalized.

ASK YOUR LENDER BEFORE APPLYING FOR

- credit cards
- store financing
- personal loans
- vehicle financing
- lines of credit
- credit-limit increases

03 Don’t close existing credit accounts without understanding the impact

You might think: “I’m not using this credit card anymore. I’ll just close it.” That may be perfectly reasonable in the long term. But closing an account can affect your available credit and, depending on the account, your credit history.

> **BEFORE CLOSING AN ACCOUNT**
> Ask your lender whether there’s any reason to leave it open until after closing. The goal isn’t to keep every account forever. The goal is to avoid unnecessary changes while your mortgage is still being finalized.

04 Don’t co-sign for someone else

Someone you care about may ask you to co-sign a loan, lease or other financial obligation. It may feel like a simple favour. It isn’t. When you co-sign, you can become responsible for the debt if the other person doesn’t meet their obligations. That new obligation can also affect your own financial profile.

Before closing, think twice. You already have one major financial commitment you’re trying to get across the finish line. Don’t take on someone else’s financial obligation without first talking to your lender.

05 Don’t consolidate or restructure debt without asking first

Debt consolidation can be a perfectly reasonable financial strategy. But the timing matters. Consolidating debt can change:

- your balances
- your monthly obligations
- your credit accounts
- your credit utilization
- the information your lender is reviewing

That doesn’t mean you should never consolidate debt. It means you shouldn’t make a significant change to your debt structure without understanding how it could affect your mortgage. Talk to your lender first.

PART 2

Your credit habits

06 Don’t let your credit-card balances climb

Your credit utilization—the amount of credit you’re using compared with your available limits—can affect your credit score. Generally, keeping your balances relatively low is better than carrying high balances. The Financial Consumer Agency of Canada (FCAC) recommends trying to use less than 30% of your available credit. But don’t treat 30% as a magic mortgage-approval number. Your lender looks at your overall financial situation.

Even if you plan to pay the balance off shortly afterward, running your cards close to their limits can increase your utilization. Putting purchases on credit that you’d planned to pay for with savings can also quietly eat into your closing cushion.

THE PRACTICAL ADVICE

- keep balances low
- make payments on time
- avoid suddenly charging large amounts
- don’t max out your cards

> **THE NEW HOUSE CAN WAIT**
> Resist furnishing the entire new house before you’ve received the keys. There will be plenty of time for that later.

07 Don’t miss or make late payments

This one is simple: Keep paying your bills. Your mortgage application doesn’t put your existing financial obligations on pause. Continue making payments on:

- credit cards
- lines of credit
- car loans
- student loans
- personal loans
- other accounts

Late or missed payments can hurt your credit profile and may raise questions for a lender.

MAKE IT AUTOMATIC

If possible, set up automatic payments and keep an eye on your accounts. If you’re having trouble making a payment, contact the company you owe, and let your lender know, rather than ignoring the problem.

PART 3

Your money and paper trail

08 Don’t spend the money you’ve set aside for closing

Getting your down payment together is only part of preparing to buy a home. You’ll also need to account for closing costs and other expenses associated with the purchase. Depending on the property and transaction, these can include:

- legal fees
- land transfer tax
- title insurance
- appraisal or inspection costs
- adjustments (such as property taxes or utilities the seller has prepaid)
- moving expenses
- other transaction-related costs

KEEP A CUSHION

Don’t assume that every dollar you’ve saved for the purchase can go toward the down payment. You don’t want to arrive at closing with the down payment ready—but no money left for everything else.

THE HAMILTON ADVANTAGE

Hamilton buyers pay only the Ontario land transfer tax, not the additional municipal tax Toronto buyers pay. First-time buyers may qualify for a refund of up to $4,000, usually applied by your lawyer at closing.

Plan ahead: Cost to Buy a Home in Hamilton · Land Transfer Tax Calculator

09 Don’t move money without a paper trail

A large deposit, or a transfer between your own accounts, isn’t automatically a problem. But your lender may need to know where the money came from and where it went, especially when it’s going toward your down payment or closing costs. Money could come from savings, the sale of another property, an eligible gift, investments or other legitimate sources. The important thing is that the source can be documented.

KEEP THE PAPER TRAIL

Where it came from → **Where it went** → **Why it was moved**

Save receipts, bank statements, sale documents, gift documentation and transfer records.

KEEP IT SIMPLE

Don’t close or switch the account holding your down payment before closing without checking with your lender first. A new account can mean more history to document.

The issue isn’t having money. It’s not being able to explain where it came from.

10 Don’t leave RRSP or FHSA withdrawals to the last minute

If you’re using your RRSP (through the Home Buyers’ Plan) or a First Home Savings Account toward your purchase, those withdrawals come with eligibility rules, paperwork and processing time. The money needs to be in your account, and documented, before closing.

THE SAFER MOVE

Talk to your financial institution early about timing, and let your lender know where those funds are coming from.

PART 4

Your income and the process

11 Don’t make a major employment or income change without talking to your lender

This is one where the advice needs some nuance. Changing jobs does not automatically mean your mortgage will be denied. But a significant change to your employment or income can require your lender to reassess your application. That could include:

- changing employers
- moving from salaried employment to commission
- becoming self-employed
- changing industries
- taking a significant pay cut
- changing the structure of your compensation

> IF A CHANGE IS UNAVOIDABLE
>
> Don’t hide it. Tell your lender as soon as possible. They can tell you what documentation they’ll need and whether the change affects your mortgage. Don’t assume a job change is harmless. Don’t assume it’s fatal either. Ask first.

12 Don’t leave anything out of your application

Your lender verifies what you tell them, so the simplest approach is complete transparency. Don’t exaggerate your income, understate your debts or leave anything out. Providing false information can have serious consequences and may constitute mortgage fraud.

> **THE RULE IS SIMPLE**
>
> If something about your financial situation changes, tell your lender. Don’t try to make the numbers look better than they are.

13 Don’t leave home insurance until the last minute

Your lender will typically need proof of home insurance before your mortgage funds, and your lawyer will usually ask for it ahead of closing.

Many Hamilton homes, especially in the Lower City, were built a century or more ago. Features like knob-and-tube wiring or an old oil tank can limit coverage or take longer to insure.

THE SAFER MOVE

Start getting quotes a few weeks before closing so you’re not scrambling at the end.

14 Don’t ignore your lender’s requests

Your lender may ask for updated documents or clarification during the mortgage process. Don’t put it off. A request for:

- an updated pay stub
- a bank statement
- proof of funds
- an explanation of a deposit
- employment confirmation
- other supporting documentation

doesn’t necessarily mean something is wrong. It may simply be part of the normal verification process.

THE BEST RESPONSE

Reply promptly. If you don’t understand why they’re asking for something, ask. The worst approach is to ignore the request and hope it goes away.

TOOL

Your pre-closing checklist

Keep your financial picture boring. Once you've made the decision to buy—and especially once you've applied for a mortgage—boring is good.

NEW DEBT AND CREDIT

- ☐ No new debt without asking my lender
- ☐ No new credit applications or limit increases without asking
- ☐ No closing credit accounts without asking
- ☐ No co-signing for anyone
- ☐ No consolidating or restructuring debt without asking

YOUR CREDIT HABITS

- ☐ Credit-card balances kept low
- ☐ Every payment made on time

YOUR MONEY AND PAPER TRAIL

- ☐ Closing funds left intact
- ☐ Paper trail kept for every deposit and transfer
- ☐ RRSP / FHSA withdrawals started early

YOUR INCOME AND THE PROCESS

- ☐ No job or income changes without talking to my lender
- ☐ Everything disclosed on my application
- ☐ Home insurance arranged ahead of closing
- ☐ Lender requests answered promptly

QUESTIONS TO ASK MY LENDER



ONE SIMPLE RULE

When in doubt, ask before you act.

You don't need to freeze your life from the day you decide to buy a home until the day you get the keys. But if you're about to make a significant financial, employment or credit decision, take five minutes and ask your lender whether it could affect your application. That's a much easier conversation to have before you make the change than after.

> IF YOU'RE NOT SURE, ASK
>
> If you're not sure whether something matters, ask your lender or ask me. I'd much rather get a quick question before you make a change than a worried call after. If I don't know the answer, I'll point you to someone who does.

YOU'RE ALMOST THERE

Buying a home involves a lot of moving pieces. You don't need to know everything. You just need to know what to ask, when to ask it and who to ask. Keep your finances stable, stay in communication with your lender, and take the process one step at a time. Then comes the good part: getting the keys.



QUESTIONS BEFORE CLOSING?

A quick question now is easier than a fix later

Whether you're waiting on final approval or counting down to closing day, I'm happy to help you think through a change before you make it.

PHONE
(289) 919-5442

EMAIL
mike@mikemccarthyrealty.com

WEBSITE
mikemccarthyrealty.com

Contact Mike →

Mike McCarthy REALTY | real

MIKE MCCARTHY, REALTOR® · REAL BROKER ONTARIO LTD.

This guide provides general information only and is not legal, financial, tax or mortgage advice. Programs, rules and costs change; confirm details for your situation with the appropriate professionals. Not intended to solicit buyers already under contract with a brokerage.