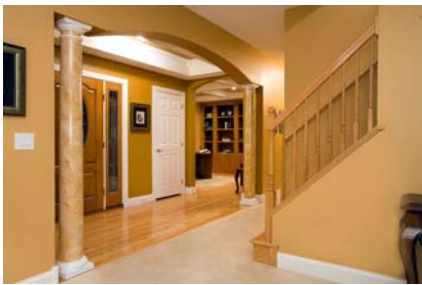


Financing Basics



When you apply for your new home loan, the lender will assess how likely you are to make your payments and repay your loan in full. To make this assessment, lenders will review your income and debt, credit history, job stability, and down payment.

Income and Debt

Most lenders require you to pay no more than 27 to 35 percent of your gross income on all shelter costs. If you have other debt, but in combination of shelter costs, the total of all regular payments should not exceed 37 to 45 percent. If your debt exceeds this limit, don't panic, it doesn't mean that you will not get approved, but it will probably reduce the amount of loan for which you qualify.

Credit History

This is your record of payment on previously and current obligations. Lenders will review your record at the appropriate credit bureau. If you previously had a mortgage, the lender will call the previous lender to confirm the history.

In the early stages of the home buying process, it is a good idea to check the condition and accuracy of your credit report and prevent any unwelcome surprises.

Job Stability

Lenders are also interested in the stability of your flow of income. While exceptions are often made, lenders generally look for a history of several years with the same company, or progressive income increases in a succession of related jobs.

Down Payment

Your housing affordability hinges upon the amount of money you can come up with for the down payment and closing costs. The more you can come up with, the less you have to borrow. At least five percent of the value of the home (or property) should come from your own savings.