

Getting Your Finances in Order

A crucial step in starting your search for a new home is having a clear idea of your financial situation. By getting a handle on your income, expenses and debts, you'll have a much better idea of what you can afford and how much you'll need to borrow.

For lenders to verify this information, though, they're going to need to look at your financial records. It is also important to remember that you should include records for each person who will be an owner of the house. So before you even visit the bank, make sure you'll be able to provide copies of these important documents:

- **Paycheck Stubs**
Remember that lenders are most interested in your average income. Not only will they want to see this month's paycheck, but also how much you've been making for the past two years. Steady employment is also more attractive to lenders, so if you've been hopping from job to job, be prepared to discuss the reasons why.
- **Bank Statements**
In order to qualify you for a loan, most lenders will also ask you for copies of your bank statements. Ideally, they'd like to see a steady history of savings--or at the very least, that you're not bouncing checks every month.
- **Tax Records**
It's always a good idea to save copies of your tax returns, especially if you're self-employed. If you own your own business, it's important to note that lenders generally consider your income as the amount you paid taxes on--not the gross income of the business.
- **Dividends & Investments**
Lenders will usually consider long-term investment dividends, as well as your investment portfolio, when evaluating your income.
- **Alimony/Child Support**
If you receive steady payments as part of a divorce settlement or for child support, you can also include this as part of your gross income. Just remember that lenders will want to see a copy of your divorce/court settlement verifying the amount of the payments.
- **Credit Report**
Virtually every lender will want to see a copy of your credit report as part of the loan application process. The report lists all of your long-term debts, as well as your payment history. In general, they will require you to pay for the credit report (approximately \$50), but if you have a recent copy, they may accept that instead.