



ORGANIZING YOUR FINANCES

CHECK YOUR CREDIT REPORT

Sometimes, even the smallest mistakes can take weeks to correct. And you'll certainly want to know if there are major issues with your credit, like a stolen identity, before applying for a home loan.

PLAN FOR HOME-RELATED EXPENSES

Give yourself time to calculate how you'll save for important expenses such as a down payment, closing costs, moving fees, taxes, and homeowners insurance.

REVIEW THE BASIC ALLOWANCE FOR HOUSING (BAH) FOR YOUR NEW ZIP CODE

Although your BAH isn't the only indicator of a manageable mortgage, it's a good starting point to help you decide how much to spend.

CALCULATE YOUR DEBT-TO-INCOME RATIO (DTI)

Lenders use your DTI to ensure you're in a strong financial position to pay for your new home loan and other financial obligations, like car loans. A low DTI attracts more lenders and helps you feel comfortable borrowing the amount you can afford.

PREQUALIFICATION VS. PRE-APPROVAL LETTERS

These letters give you an idea of how much a lender could offer you based on your financial input, but they're not guaranteed loan offers.

Lenders often send *prequalification* letters based on unverified financial information that you self-report. After the lender confirms your finances, they'll issue a *pre-approval* letter describing the loan terms.