




# Preparing Your Finances: Essential Steps

These steps provide a foundational guide for anyone looking to get their finances ready for a home purchase.

1. **Craft a Realistic Budget:** Build your budget based on your actual spending over recent months, using receipts and bank statements. This method accounts for both regular expenses (rent, utilities, groceries) and unforeseen costs (like car maintenance), offering a clearer financial picture.
2. **Minimize Debt:** Aim to keep your total debt—including your future mortgage—below 36% of your income. With mortgages typically consuming 25-28% of your net income, strive to limit payments on other debts (car loans, student loans, credit card balances) to 8-10% of your monthly income.
3. **Identify Savings Opportunities:** Track all expenditures for a month. This detailed record will likely reveal unexpected areas for savings, such as less frequent coffee shop visits or more home-cooked meals.
4. **Boost Your Income:** Consider asking for a raise or taking on additional work to increase your earnings. A higher income not only aids in savings but also improves your mortgage qualification prospects.
5. **Accumulate a Down Payment:** Commit to setting aside a specific sum monthly towards your down payment. While low down payment options exist, a larger down payment, ideally 20%, often secures more favorable mortgage terms.
6. **Maintain Employment Stability:** Lenders value steady employment. Changing jobs frequently or being employed for less than two years may affect your loan terms, potentially leading to higher interest rates.
7. **Build a Strong Credit Profile:** Use a credit card responsibly: make purchases and pay off the balance on time. This practice, along with timely payments on other bills, helps establish a solid credit history, crucial for favorable mortgage options.

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