GETTING THE MORTGAGE YOU WANT

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Qualifying for the loan you want at the best possible rate could affect your financial life for the next 15 or 30 years.

HOW MUCH HOUSE CAN YOU AFFORD?

Before you start looking at houses, you should know how much you can afford. The two main factors are how much cash you have for the down payment and how much your monthly costs will be. Once you know your price, you can start to think about getting the right mortgage.

KNOW WHAT LENDERS LOOK FOR

If you know a little more about what lenders are interested in, you'll be in a better position to know what you may qualify for. And if there's time, you can even take steps to improve your chances of getting a great mortgage.

YOUR CREDIT HISTORY AND SCORE

Your credit history and score are going to be one of the first things a lender looks at. While it varies from lender to lender, having a clean credit history and a score in the excellent range—usually 720 and above—helps qualify you for the best rates. Check your three credit reports for free through annualcreditreport.com and buy your official FICO score from MyFico.com so you know what to expect.

YOUR INCOME

Lenders will look at your income to see steady, reliable, long-term employment. If you have a regular job, they'll want to see your W-2 forms, tax returns and bank statements. If you're self-employed and don't have W-2s, you'll need another way to verify your income, perhaps your business tax returns and a profit and loss statement.

YOUR DEBT LOAD AND ASSETS

Lenders will look at your other debt and make sure adding a mortgage won't overload you. They'll look at all of your outstanding debts, and compare it to your income to get your "debt-ratio." If you do have a lot of debt, lenders may feel more comfortable if you also have sizable assets to compensate.

THE LOAN SIZE

Banks will be concerned about the size of the loan, especially when compared to the market value of the house. If the house is appraised for less than what you're paying, you probably will have difficulty getting your loan. But being able to put down a big enough down payment—20 percent is ideal—can reduce a lender's impression of your risk.

MAKE YOURSELF LOOK GOOD

There are many things you can do before you even meet with lenders. Prepare to show a steady income, do what you can to improve your credit score, set aside money for a down payment, and figure out how your mortgage will fit into your budget. The more prepared you are, the better position you'll be in to get the best rates.

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