

David Kerr & Rob Jones, Realtors®

Get Your Finances in Order: To-Do List

1. Develop a household budget. Instead of creating a budget of what you'd like to spend, use receipts to create a budget that reflects your actual spending habits over the last several months. This approach will factor in unexpected expenses, such as car repairs, as well as predictable costs such as rent, utility bills, and groceries.

2. Reduce your debt. Lenders generally look for a total debt load of no more than 36 percent of income. This figure includes your mortgage, which typically ranges between 25 and 28 percent of your net household income. So you need to get monthly payments on the rest of your installment debt — car loans, student loans, and revolving balances on credit cards — down to between 8 and 10 percent of your net monthly income.

3. Look for ways to save. You probably know how much you spend on rent and utilities, but little expenses add up, too. Try writing down *everything* you spend for one month. You'll probably spot some great ways to save, whether it's cutting out that morning trip to Starbucks or eating dinner at home more often.

4. Increase your income. Now's the time to ask for a raise! If that's not an option, you may want to consider taking on a second job to get your income at a level high enough to qualify for the home you want.

5. Save for a down payment. Designate a certain amount of money each month to put away in your savings account. Although it's possible to get a mortgage with only 5 percent down, or even less, you can usually get a better rate if you put down a larger percentage of the total purchase. Aim for a 20 percent down payment.

6. Keep your job. While you don't need to be in the same job forever to qualify for a home loan, having a job for less than two years may mean you have to pay a higher interest rate.

7. Establish a good credit history. Get a credit card and make payments by the due date. Do the same for all your other bills, too. Pay off the entire balance promptly.