

Applying and Qualifying for a Home Loan

Choosing a home with the best master bathroom or most durable floors can seem like a very important part of the purchase process. Really, though, all of that is just fun and research. The hard part is qualifying for a home loan.

Normally, your ability to qualify for a home loan will be dependent on how well you meet up to the following two standards. The first standard of measure is that you be in a financial position that will allow you to pay back the loan. And, unfortunately, lenders do not make the application process too easy for you; they look deeply into your financial situation to decide whether or not you will be able to repay. The first thing they look at? Your career and your job.

Many home loan applicants believe that having good employment will lead to their approval for a loan; generally, though, qualifying is more complex than that. In addition to what you do, a lender will also examine the length of time you've been with an employer or working in a certain field. A record of steady employment (that is, at least two years in a company or field) is a good way to show home loan lenders that you're a safe bet.

After looking into your employment history, your home loan lender will then look at how your income compares to your debts after your new mortgage payment has been added in. It is always helpful to pay off as much of your debt as you can before you even start the home loan application process. Why? Because the lender will consider you qualified for a home loan only if he or she feels that you have enough money to pay payments with a certain level of ease. If a lender looks at your income and debts and sees too many debts for too little income, he or she may prefer to offer you a lower loan amount, perhaps with a higher interest rate. Or may even decide not to approve your application at all.

Has your lender looked over your income and debts and put you in the clear? Next, they'll take a look at the next standard that successful applicants must live up to: your "willingness to pay." To determine whether or not you can be counted on to pay your home loan, they take a look at your credit report and payment history. If you have consistently been on time in paying your debts in the past, it will look good on your application for a home loan.

Another important aspect a lender will keep in mind when deciding whether or not to approve you for a home loan? What your plans are for the home you wish to purchase. If, for instance, you are planning to live in the home as your primary residence, a home loan lender will generally believe you have strong motivation to repay your home loan.

About the Author

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