Get Ready

First off, don't make any big purchases over the next couple of months. Besides the obvious fact that it makes less money available for the down payment, it might require you to get yet another loan. A significant debt such as a $15,000 auto loan will look bad to the mortgage lender's credit-scoring systems. Plus, the human underwriter won't want to see you adding a couple of hundred dollars per month to your monthly expenses.

Generally, as a rule of thumb, you want your total debt obligation to be no more than 36% of your gross monthly income. You certainly don't want to load up on consumer debt if you're anticipating purchasing a home and you're unsure of what your mortgage payment is going to be and if you think you're within the range of exceeding that 36% requirement.

Don't try shooting for that six-bedroom house in the Hamptons if it's going to be too much of a stretch in your current budget. Lenders consider what's known in the industry as "payment shock" when approving loans. Somebody who goes from a relatively small monthly housing payment to a huge one either won't qualify for a mortgage or will end up having to cover too much loan with too little money.

"If you've paid all your bills on time, but you've been paying $450 in rent with a roommate and now you're going to have a $1,650 principal and interest and insurance payment on a house, how would you handle your monthly payment?" asks Israel of Harris Bank. "You have to make sure you're comfortable about that kind of a debt load."

Don't just get pre-qualified for a mortgage, get pre-approved. To get pre-qualified, a borrower need only submit credit, income and debt information voluntarily to a mortgage broker or lender. That means the resulting estimate of the maximum mortgage and home that's affordable is exactly that -- an estimate. Before they can get pre-approved, however, homebuyers must allow their lenders to pull credit reports, check debt-to-income ratios and perform other underwriting steps. That puts a borrower much closer to obtaining a loan and locking in a rate and term.

Don't forget what kind of money personality you have when getting a mortgage. By taking out a 30-year fixed rate loan rather than a 15-year mortgage and investing the money saved on monthly payments, you might earn a higher return on your money in the long run. But that approach won't work for people who spend any extra cash laying around on dinner and a movie twice a week. They can force themselves into saving and accumulating equity faster by going with the shorter term and higher payment.

Last but not least, don't forget that homeownership brings with it many burdens. The cost of defaulting on a loan is much greater than the penalty of missing a rent payment. Too many black marks on the financial history and it will be 23% interest credit card mailers that show up in the mailbox rather than the 9.9% ones your neighbor gets.