Should I pay off debt before buying a home?

Underwriters don't care what you owe - they care what you pay every month.

YOUR CHECKLIST

- [ ] Calculate your current debt-to-income ratio with every debt listed individually
- [ ] Identify which single debt payment contributes most to your DTI, not which has the largest balance
- [ ] Check every installment loan's remaining number of payments, not just its balance
- [ ] Confirm with your lender whether any loan qualifies for the ten-payments-or-fewer DTI exclusion
- [ ] Check your credit utilization on every revolving account, not just the total
- [ ] Decide, with your loan officer, whether extra cash is better used on debt or the down payment
- [ ] Gather documentation for any court-ordered or third-party-paid debt you want excluded
- [ ] Confirm how your specific loan program (conventional, FHA, or VA) calculates student loan payments
- [ ] Leave every account open, even ones you pay off, until well after closing
- [ ] Stop opening, closing, or financing anything new the moment you're pre-approved

WATCH OUT FOR

- Paying off the biggest balance instead of the biggest payment
- Closing a credit card right after paying it off
- Financing a car or furniture after getting pre-approved