



5 Things You Need to Be Approved for a Loan

Make sure you're organized before meeting with a lender

Have your eye on a shiny set of wheels, or a house you'd like to call your own? Unless you've got a lot of cash on hand, you'll have to take out a loan to finance your big purchase. Here's a list of what you'll need before heading to the bank:



1. An established credit history

You need credit to get credit, and a secured loan—such as for a car or other property—should be easier to obtain if you already have a proven track record of on-time payments. You'll also want an idea of your credit score, which will typically rank between 300 and 850.



2. A strong debt-to-income ratio

While you want your credit score to be high, this ratio—measured on a percentage scale from zero to 100—should be low. To figure it out, add your monthly debt obligations (your rent or mortgage, plus any existing loans and minimum credit-card payments) and divide this sum by your gross monthly income.



3. A firm grasp on interest rates

Do your homework on current interest-rate trends to gauge if you're getting a competitive deal. You can visit your bank's website to see the going rates for different types of loans, including home, auto and student.



4. An idea of what you can afford

You don't want to bite off more than you can chew, like heading home in a full-size vehicle if you're on a compact budget. Plan how much of your monthly income you'll put toward payments, how long you're giving yourself to pay off the loan and how much money you can put down. Search for online tools to help calculate the bottom line of your monthly bill.



5. All of your paperwork in order

Your banker will require a paper trail that tells your financial history. Make sure you've gathered up your last few paystubs, tax returns, W-2s and bank account statements. You may not need everything, but it's better to come prepared.

