

STEPS TO HOMEOWNERSHIP

STEP 1 - EDUCATION Be an informed buyer. Attend a free homebuyer education class that provides you with the step-by-step process of purchasing a home. The class also will explain various assistance programs for low- and moderate-income homebuyers. Some of the topics covered include: Qualifying for a mortgage; Assistance programs for first-time homebuyers; How to choose a lender and real estate professional; Warning signs of predatory lenders; and Fair Housing. Whether you buy a home, or continue to rent, is up to you and depends on your particular lifestyle...homeownership is *not* for everyone. There are advantages and disadvantages in buying and renting, so determine what's best for you.

STEP 2 - CREDIT HISTORY Do you have a current copy of your credit report? Your credit (FICO) scores are of major importance in obtaining credit, so review the information and correct any errors or issues that show on your report. The credit reports tracks what types of credit you use, the length of time your accounts have been open, and your history of paying on time. A *positive* credit history makes it possible to get the best loan and can have an impact on interest rates and the amount you can borrow.

You can obtain a free copy annually of your credit report (though without credit scores) online at: www.annualcreditreport.com, or by calling 1-877-322-8228. For a small fee you may order your report (with scores) through one of the three major credit companies: Experian www.experian.com, Trans Union www.transunion.com, and Equifax www.equifax.com.

STEP 3 - BUDGET Having a budget, and following it, will help you feel more comfortable about paying your obligations each month, and knowing what you can freely spend and put away in savings. This is a critical step, as you want to know what your "comfort level" is for your monthly housing payment. Remember that housing not only is your mortgage and interest payment, but also will include your property tax and homeowners insurance. In addition, savings will be necessary for those repairs, modifications, and emergency needs.

There are some programs that will help you save money for a down payment. These are "savings match" programs, and have some eligibility requirements.

Track your spending for 30-90 days to see where you actually spend your money - you may be surprised! Most people can cut back at least a little bit, and by saving that 'little bit' could make a big difference in how much you have available for a down payment.

STEP 4 - RESEARCH Talk with lenders who *know* the first-time homebuyer programs and eligibility requirements. Review the information and schedule appointments early in the process if the program requires program counseling. Some of the programs *require* the certificate obtained from taking the State Bond Homebuyer Class. Most down payment funds come from the Federal, State, County or City to help first-time homebuyers. Some are low interest loans that may have a stipulation regarding the amount of time you must be in the home before it becomes a non-payback grant.

STEP 5 - LOAN PRE-APPROVAL Feel free to interview several lenders offering the special assistance programs to see if you qualify. Once you select the lender, get a complete pre-approval for a loan. Your lender will provide a Good Faith Estimate, which gives you the information you need in order to compare loan products from different lenders so you can choose the best one that meets your needs.

STEP 6 - NEEDS vs. WANTS As this is your first home, be realistic that it should meet your needs, and most likely will not be everything you wants. You and your family should address the priorities together prior to shopping for a home. Consider things such as the size of your family, the location (based on schools, shopping, medical facilities), size and style of home (how many bedrooms, stairs or one-level), garage/carport or ability to add one, etc. Getting into a starter home may not have everything on your 'wish list' but will provide you the ability to move up in the future.

STEP 7 - SEARCHING Just as you did with lenders, interview several real estate professionals... do they also have experience working with first-time homebuyers? Work with the one you feel the most comfortable, who listens to you and will show you the homes that fit the criteria you provided. Understand that this process can be overwhelming and stressful, but it can also be FUN!

STEP 8 - HOME Congratulations - you are home! You are now creating a better financial future for yourself and your family, as home values improve and you gain equity. After the purchase, make sure that you maintain the condition of your home by keeping up with repairs or improvements, which also helps maintain market value.



BUDGET WORKSHEET

List All Living Expenses: Outgo Per Year Divided By 12	Monthly Cost
Food (includes Food Stamp allotment)	\$
Household supplies (cleaning/paper products)	\$
Utilities (gas, electric, water, sewer)	\$
Property Maintenance/Repair	\$
Transportation (bus fare, gas, car insurance, maintenance)	\$
Telephone (land line, cell phone) / Internet	\$
Cable Television/Satellite	\$
Clothing (purchases, dry cleaning)	\$
Recreation/Entertainment (meals, movie rentals, hobbies)	\$
Health Care (co-pays, Rx, over the counter)	\$
Personal (hair care, make up, cigarettes)	\$
Insurance (health, life)	\$
Taxes (Income, FICA, personal property)	\$
Other:	
Personal assistance	\$
Child Care/Youth & School Activities	\$
Pets (food, supplies, Vet)	\$
Gifts/Greeting Cards	\$
Donations/Offerings	\$
Memberships	\$
Postage/Subscriptions (Newspaper, Magazine...)	\$
Storage Unit Rental	\$
Savings Plans:	
1) Emergencies	\$
2) Vacations	\$
3) Other	\$
Total Monthly Living Expenses	\$
List All Debt (Revolving & Installment)	Min. Monthly Payment
Bank Loan	\$
Credit Card (1)	\$
Credit Card (2)	\$
Auto Loan (1)	\$
Auto Loan (2)	\$
TOTAL MONTHLY DEBT	\$



How Much Can You Afford?

In the qualification process, your mortgage lender will look at:

- Debt-to-Income Ratios
- The 3 “Cs” --- Credit, Capacity, Collateral
- Down Payment

Calculating how much of a house payment you can afford depends on your income and current debt.

Example:

Gross monthly income \$3,000 x .41 =	\$1,230
Minus monthly minimum debt payments	- 300
Total housing payment you can afford =	\$ 930
<u>PITI (Principle Interest Tax Insurance)</u>	

Housing expense-to-income ratio:

Principal and Interest:	\$ 690
Hazard Insurance:	73 *
Real Estate Taxes:	117 *
Mortgage Insurance:	73
Homeowner's Association	0
Subordinate Financing	0
	<u>0</u>
	\$ 930

Calculate “total payment-to-income” ratio:

Take your monthly housing debt and divide by your monthly income.

Example: \$930 / \$3,000 = .31 or 31%

Total expenses-to-income ratio:

Total house payment
Plus total monthly minimum debt payments
Divided by gross monthly income

Example: \$930 + \$300 = \$1,230 Divided by \$3,000 = .41 or 41%

*Estimated

