Financial Preparation
HOMEBUYING FOUNDATIONS

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**ARE YOU READY TO PURCHASE A HOME?**

**Homeownership Self-Assessment**

This self-evaluation should give you an idea of whether you are ready to buy a home. Please circle your answers to the following questions, and try to be as honest as possible:

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>Unsure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Do you have steady income and stable employment (at least 2 years)?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Do you have an annual household income of at least $30,000?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>3. Do you plan on remaining in the area for the next few years?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4. Have you created a Spending Plan so you know how much you can realistically afford for a monthly mortgage payment?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Do you have an established credit history or records of payments to previous landlords and utility companies?</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>6. Do you consistently pay your bills and your debt payments on time?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Do you have some money saved for a down payment and the fees involved in home purchase?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>8. If you have had a bankruptcy, did it happen more than three years ago?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Is your monthly debt low enough to not limit your ability to qualify for mortgage?</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>10. Are you ready to care for and maintain a home?</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>11. Have you been pre-qualified by a lender, so that you know how much you can borrow based on your income and current debt?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Have you looked into the benefits of special financing programs that are available to moderate income first-time homebuyers?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If you answered “yes” to the majority of the questions, you are probably near-ready to buy a home.

If you answered “no” to a majority of the questions, particularly questions 1, 2, 3, 5, 6, 7, 8 and 12, you probably need a longer time to get ready to buy.

Source: Courtesy of the Portland Housing Center
http://portlandhousingcenter.org/
## Monthly Spending Plan

### Monthly Income

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Estimate</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Gross Income</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Income from other jobs/resources (side hustle, SNAP, SSI, SSDI, Child Support, TANF, Social Security, etc.)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Monthly Net Income</strong></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### Monthly Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Estimate</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing (Rent or Mortgage)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Utilities, Trash</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Internet</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Groceries</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Dining Out</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Coffee/Beer/Cigs</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Cell Phone &amp; Plan</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Transportation – Gas, Bus</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Transportation - Repair</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Insurance – Car</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Insurance – Renters or Home</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Insurance – Life, Disability, Etc</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Medical/Dental – Out of Pocket</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>School Expenses</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Child Expenses</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Legal (Child Support, etc.)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total Monthly Expenses</strong></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
## Tracking Expenses from ____________ to ______________

<table>
<thead>
<tr>
<th>Fixed Expenses</th>
<th>Variable Expenses</th>
<th>Periodic/Other Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gym/Health</td>
<td>Car Maintenance</td>
</tr>
<tr>
<td>Housing</td>
<td>Amount $</td>
<td>Amount $</td>
</tr>
<tr>
<td>Total $</td>
<td></td>
<td>Total $</td>
</tr>
<tr>
<td>Internet</td>
<td>Amount $</td>
<td>Medical Amount $</td>
</tr>
<tr>
<td>Total $</td>
<td></td>
<td>Total $</td>
</tr>
<tr>
<td>Cell Phone/Plan</td>
<td>Amount $</td>
<td>Charity/Tithing Amount $</td>
</tr>
<tr>
<td>Total $</td>
<td></td>
<td>Total $</td>
</tr>
<tr>
<td>Car Insurance</td>
<td>Amount $</td>
<td>Total $</td>
</tr>
<tr>
<td>Total $</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renters/Home Insur.</td>
<td>Amount $</td>
<td>Vacation Amount $</td>
</tr>
<tr>
<td>Total $</td>
<td></td>
<td>Total $</td>
</tr>
<tr>
<td>Other Insurance</td>
<td>Amount $</td>
<td>Holidays/Gifts Amount $</td>
</tr>
<tr>
<td>Total $</td>
<td></td>
<td>Total $</td>
</tr>
<tr>
<td>Debt Payments</td>
<td>Amount $</td>
<td>Other Amount $</td>
</tr>
<tr>
<td>Total $</td>
<td></td>
<td>Total $</td>
</tr>
<tr>
<td>School</td>
<td>Amount $</td>
<td>Total $</td>
</tr>
<tr>
<td>Total $</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings Goals</td>
<td>Amount $</td>
<td></td>
</tr>
<tr>
<td>Total $</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Tracked Expenses**

$
Debt-to-Income (DTI) Calculation

Your Debt-To-Income (DTI) ratio will affect your ability to qualify for a mortgage and is a tool to help you assess your loan-readiness.

**RENTERS RECOMMENDED RATIO**

To maximize credit eligibility, consumer debt DTI should not exceed 15% for a renter.

**HOMEOWNERS RECOMMENDED RATIO**

To maximize mortgage eligibility, have a goal for consumer debt to not exceed 8% your monthly income. Shoot for your back-end debt-to-income ratio to not exceed 40%.

**MY RATIOS**

**My gross monthly income:**
Total of monthly wages before taxes and deductions

$___________ (1) $2,350

**My monthly debt payments:** List minimum monthly payments, even if you pay more

- Credit cards $___________ $223
- Car loan $___________ $200
- Student loans $___________ $60
- Other debt $___________ 0

Total monthly debt payments (consumer debt):

$___________ (2) $483

**My consumer debt ratio:** Line (2) divided by line (1)

______ % (3) 21%

**My housing ratio:** Let's assume that your total monthly payment for mortgage principal, interest, homeowners' insurance, property taxes, mortgage insurance is 32% of your gross income.

______ % (4) 32%

**My back-end ratio:** is your housing ratio plus your consumer debt ratio

Line (3) plus line (4)

______ % (5) 53%
Get Your Credit Report

Obtain Your Credit Report Every 12 Months
You are entitled by the Fair Credit Reporting Act to get a free credit report each year from the three credit bureaus through AnnualCreditReport.com, the only authorized website for free credit reports. You will answer a couple question to verify your information and select from which bureaus you would like to pull your credit report. To monitor your credit more regularly, opt to view a credit report from just one bureau every four months.

You can also order by phone at 1-877-322-8228 or order by mail by contacting each of the bureaus directly:

**Equifax**
P.O Box 740241
Atlanta, GA 30374
(877) 784-2528
www.equifax.com

**Experian**
(866) 200-6020
www.experian.com

**TransUnion**
P.O. Box 1000
Chester, PA 19022
(800) 916-8800
www.transunion.com
Improving Your Credit

There are no secrets to building a strong credit score, but following these guidelines should help:

**Pay your bills on time, every time.** One way to make sure your payments are on time is to set up automatic payments, or set up electronic reminders. If you’ve missed payments, get current and stay current.

**Don’t get close to your credit limit.** Credit scoring models look at how close you are to being “maxed out,” so try to keep your balances low in proportion to your overall credit limit. Experts advise keeping your use of credit at no more than 30 percent of your total credit limit.  
**Note:** You don’t need to revolve on credit cards to get a good score. Paying off the balance each month helps get you the best scores.

**A long credit history will help your score.** Credit scores are based on experience over time. The more experience you have with getting credit and paying your bills on time, the more information there is to determine whether you are a good credit risk.

**Only apply for credit that you need.** Credit scores look at your recent credit activity as an indicator of your need for credit. If you apply for a lot of credit over a short period of time, it may appear to lenders that your economic circumstances have changed negatively.

**Tip:** If you close some credit card accounts and put most or all of your credit card balances onto one card, it may hurt your credit score if this means that you are using a high percentage of your total credit limit.

**Tip:** Check your credit report regularly and make sure the information in your credit reports is correct. Visit [AnnualCreditReport.com](http://www.annualcreditreport.com) to get a free copy of your credit report from the nationwide credit reporting companies. You can receive a [free credit report](http://www.annualcreditreport.com) from each of the big nationwide credit reporting companies once every 12 months.

**Tip:** If you have a problem with credit reporting, you can submit a complaint with the CFPB: [http://www.consumerfinance.gov/complaint/](http://www.consumerfinance.gov/complaint/)

Source: Consumer Finance Protection Bureau  
A STEP BY STEP GUIDE TO THE:

Homebuying Process

Get Ready

- Attend DevNW Homeownership Education class(es)
- Meet with your Homeownership Counselor
- Develop a Homeownership Action Plan
- Resolve outstanding credit issues
- Determine what you can afford; create and “live” your post-homeownership budget
- $$$ Save for the down payment, other closing costs, and a home repairs fund

Get Started

- Start shopping for your homeownership “team.” Interview potential lenders and realtors
- Meet with lenders to compare loan and shop fee quotes. Get pre-approved.
- Select your Realtor and shop for a home
- Make an offer and sign a purchase agreement

Closing

- $$$ Put down earnest money deposit in Escrow
- Get a Loan Estimate from your lender
- Loan Processing; conditional approval
- $$$ Get a professional home inspection
- Negotiate any repairs
- $$$ Lender orders a home appraisal
- Shop for and get homeowner’s insurance
- Loan underwriter reviews loan conditions and issues final approval
- Lender assembles closing documents, including Closing Disclosure
- Resolve outstanding credit issues
- Review closing documents three days before closing
- Compare Closing Disclosure with Loan Estimate
- $$$ Bring in funds to close to Escrow company and sign closing documents
- Escrow and Title company records documents and transaction closes

Move in!

- Get keys, and moves in!
- Change your address, switch utilities, save documents, plan for future expenses
- $$$ Make first mortgage payment
- Resolve outstanding credit issues
- Congratulations! Provide DevNW a copy of your Closing Disclosure for a gift card

Developed with the generous support of Portland Housing Center. Check them out: http://portlandhousingcenter.org/