

## House Buying Tips From Family Foundations



For most Americans, buying a home is the largest purchase they will make in their lifetime. But it's not enough to know what neighborhood, style of house or square footage you want. Consumers also need to have their financial affairs in order prior to considering home ownership.

A consumer's financial history and credit rating is one of the biggest factors affecting mortgage loan rates. The general rule of thumb is: the better the financial history and credit score, the better the loan rate. If you are one of the millions of Americans thinking of purchasing a home for the first – or fourth – time, Family Foundations offers the following house buying tips:

- **Develop a plan to buy a house.** Carefully examine your current financial situation to determine how much of a mortgage you can afford. Be sure to take into account all of your monthly expenses including your home telephone, family cell phones, Internet access fees, homeowners insurance, utilities and food, as well as all of your other expenses. Carefully examine how much savings you can put down while still keeping a rainy day fund on hand, and be sure to budget for anticipated homeownership expenses.
- **Sign up for a Homeownership course.** Buying a home is a life changing action. Just as Americans enroll in driving and parenting courses, Family Foundations recommends enrolling in a homeownership course. Many NFCC members offer free or low-cost home ownership courses that teach consumers about creating a budget for home ownership, how to search for the right mortgage, fair housing laws, closing costs, home insurance costs and other homeowner considerations.
- **Learn & Follow the 3Cs.** Location may be the buzz word in real estate, but capacity, character and collateral are the buzz words with mortgage financing.
  - **Capacity** - your financial ability to repay your loan;
  - **Character** - an examination of your credit history and history in paying previous debts; and
  - **Collateral** - the value of the home must appraise for at least the amount of the loan.
- **Establish a stable employment history.** Lenders also consider your employment history and stability when evaluating your mortgage application. A good rule of thumb is to have at least two years employment with the same employer or in a related field.

- **Build a savings account.** There are lots of up front costs associated with buying a home. A down payment is almost always requested and can range anywhere from 3-20 percent of the total cost of the home. Closing costs can vary by state and for first-time buyers, but usually are about 2-7 percent of the mortgage loan. Moving and settling-in costs can quickly add up as well. It is better to overestimate these costs than to underestimate them.
- **Know what's on your credit report.** Obtain a copy of your credit report, and diligently correct erroneous listings as well as repair damage caused by late and negligent payments. Take a careful look at your debt-to-income ratio since lenders will look at this to determine how much of a loan you can afford, and consider purchasing your credit score (for a minimal fee). Americans are entitled to one free credit report from each of the three credit reporting agencies once every 12 months. The following Web site or toll-free line can be contacted to obtain a free credit report from each agency:
  - [www.annualcreditreport.com](http://www.annualcreditreport.com) or call toll-free 1-877-730-4104
  - Hearing impaired consumers can access TDD service at 1-877-730-4104
- **Consider getting pre-approved for a loan before house hunting.** Knowing how much of a mortgage you can afford will save the emotional heartache of falling in love with a house that is out of your price range. Getting pre-approved will also save you the potential embarrassment of being turned down for a loan during the often competitive process of bidding on a house.
- **Appraise and inspect the property.** Be sure to obtain an independent certified appraisal report to capture the market value of the property. The County Clerk's Office and the local library may have resources available to help determine the market value of homes in that neighborhood. Additionally, obtain an independent certified home inspection to uncover any hidden home horrors like leaky roofs, plumbing problems, etc. While neither of these reports can be obtained free of charge, these upfront costs are minimal compared to what could turn into expensive, and unbudgeted, major home renovations.

These and many more home-buying tips can be found in the book, "Keys to Home Ownership," published by the NFCC. Copies of the book may be purchased on the NFCC's Web site: [www.nfcc.org](http://www.nfcc.org).

**Family Foundations** stands ready to help. To reach us, call (904) 396-4846 or go online to [www.familyfoundations.org](http://www.familyfoundations.org).

### **About Family Foundations**

You don't have to solve your financial problems alone. Family Foundations has trained and certified credit counselors who offer financial management and debt reduction services. Family Foundations is a nonprofit, community-based organization and a Member of the National Foundations for Credit Counseling (NFCC). For more information on Family

Foundations, call (904) 396-4846 or visit [www.familyfoundations.org](http://www.familyfoundations.org).