

ARE YOU READY FOR HOMEOWNERSHIP? FINANCIAL CHECKLIST

IS YOUR CREDIT READY?

- Check your credit report (www.annualcreditreport.com).
 - Clear up any errors
 - Pay off or settle past due accounts, items in collections, any judgements
- Check your credit score.
 - The higher your credit score the lower the interest rate you will be approved for your loan
 - Britepaths & the Financial Empowerment Center can give you your TransUnion FICO 8 score for FREE with a financial coaching session
- Do not close unused credit cards.
 - This could inadvertently lower your credit score

HOW MUCH CAN YOU AFFORD?

- Do you have enough saved for your down payment?
 - Lenders prefer a buyer to have 20% down payment
 - If you are approved with a smaller down payment you may have to pay PMI (private mortgage insurance)
 - If you qualify for a FHA loan, the down payment can be as low as 3.5%
 - If you qualify for a VA loan, you do not have to have a down payment but will have to pay a funding fee
 - Funding fee is waived for disabled veterans with at least 10% disability
- Do you have an emergency fund?
- Prepare a budget to determine the monthly mortgage payment you can afford.
 - Use an online mortgage calculator to estimate your future mortgage payment
 - Do not forget to add in property taxes, homeowners insurance and HOA fees (if any)
 - Can use <https://www.bankrate.com/calculators/mortgages/mortgage-calculator.aspx>

DO YOU KNOW YOUR DEBT-TO-INCOME RATIO?

- Determine your current debt-to-income ratio (DTI).
 - Mortgage lenders will look at your total consumer debt-to-income ratio
 - A DTI of 43% is typically the highest ratio a borrower can have and still get qualified for a mortgage, but lenders generally seek ratios of no more than 36%.
 - Use the “Housing Costs Worksheet” to determine your DTI

- If DTI is too high, create a debt reduction plan.
- Do not take on any more debt or open new credit cards.

HAVE YOU GATHERED THE FINANCIAL DOCUMENTS YOU NEED TO APPLY FOR A MORTGAGE?

- Tax returns, generally you need the past two years.
- Pay stubs (2 – 3 months), W-2's, or other proof of income.
- Bank statements and other savings & investment statements (1 – 2 months).
- Gift letters if someone is gifting you or lending you money for the down payment.
- If renter, rental history.

Britepaths and the Financial Empowerment Center are here to help you.

All services we offer are FREE!

We are open virtually during COVID-19.

Now that you have met with one of our volunteer financial planners at the Northern Virginia Housing Expo, we invite you to continue working with us as you work toward achieving your financial goals.

We can assist you with reviewing your credit report & credit score, assist with determining your debt-to-income ratio, creating a debt reduction plan, or assisting you in contacting creditors to settle past due debts or debts in collection. We can assist you in building your budget and using online calculators to determine how much house you can afford.

We offer financial literacy classes, financial coaching and mentorship, workforce coaching, small business coaching, and personal income tax assistance.

We have a quarterly First Time Homebuyers class!

To make an appointment for any of our services, please call 703-704-6101 or email info@fecsoco.org

Visit our webpages: www.britepaths.org and www.fecsoco.org