



# Consumer Credit Counseling Service

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## 5 Tips to Start Buying a House

**1. Figure out what you can afford for a monthly payment** based on your own situation. There are online calculators like NerdWallet that can be a great resource to help you determine this. A simple rule of thumb is three times your gross salary for the total cost of the house. We suggest no more than 25% of your net income per month to go towards the monthly payment and other related expenses. The lender is going to look more at gross income, credit score and the house you are buying to see if they will finance. Remember that Escrow (taxes and insurance) will need to be figured into your monthly payment and this is required by most lenders. Also, don't forget about the costs for monthly home maintenance, landscaping and appliances.

**2. Check your credit report/credit score** which you can access for free at [annualcreditreport.com](http://annualcreditreport.com), you won't receive the score though. You can always register an account with Credit Karma and they can give you a pretty good idea of what your credit score is, but keep in mind that this is not 100% accurate. Review the accounts on your credit report for accuracy and dispute an item if you do not agree with it, especially on collection accounts. Do not open any new accounts before you want to purchase a home. The higher the score, the better interest rates given, a higher chance of getting the loan and a lower down payment.

**3. Start saving for a down payment.** First, you need to determine the amount you will need for the down payment based on the dollar amount of the house and how much you want to put down at closing. For example, if you look at a \$100,000 house and you want to put down 5% then you will need \$5,000 PLUS closing costs. Put down the most amount you can to get a better interest rate and for a better chance at getting approved. Here are some tips to help you save the money:

- Figure out your time frame – when do you want to buy?
- Look at your monthly spending plan – can you come up with the money?
- Set up an automatic savings plan and put money aside every month like your retirement plan.
- Make sure you have an emergency fund so you don't have to dip into your down payment savings.
- Don't borrow from family

**4. Get pre-approved for the mortgage,** this is when the lender has checked the following items and agreed to lend a certain dollar amount on the house, which can help give you an advantage over other buyers in getting your offer accepted.

- Verified income of borrowers with employer
- Checked the credit report/score
- Reviewed tax returns
- Verified the assets are there for a down payment
- Proof of identity

**5. Start the shopping process** by looking online with websites such as Zillow.com, Trulia.com or Realtor.com or find a Real Estate agent to help. Some things to keep in mind while you are looking at houses:

- If you don't like the wall color, flooring or bathrooms then figure that into the budget.
- Make sure they are within your price range
- Research school districts if you have kids
- Look to see if they have an Homowner's Association (HOA)
- Get a home inspection
- Take into account travel time to work
- Always negotiate, negotiate, negotiate



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