

ARE YOU READY TO BUY A HOME?

Are You Ready to Buy a Home? Understanding your finances, how to not be home poor and other important tips that ensure you are financially ready to own a home.

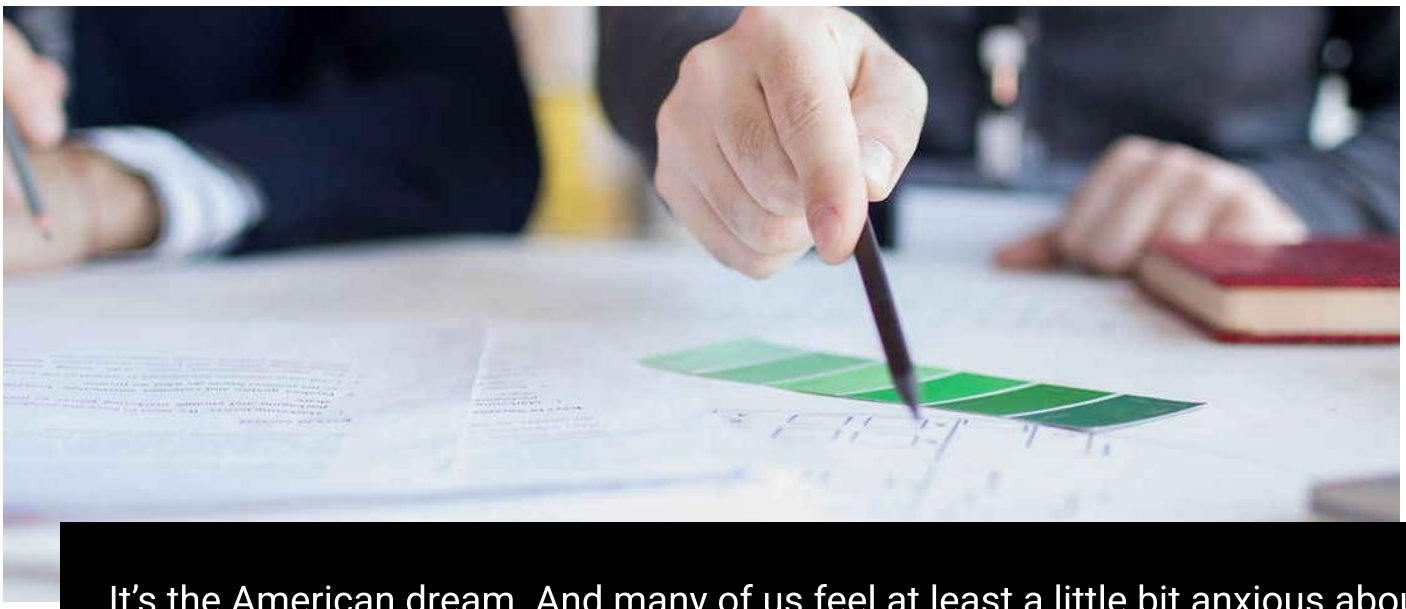
- **You may want to.**
- **It may be your dream.**
- **But, are you really ready to buy a home?**
- **This guide will provide important tips (like not to be home poor).**

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Barbara Jennings
eXp Realty
barbara-jennings.com/about/
yourexpertadvisors@gmail.com
Phone: 540-840-1133
Office: 540-840-1133

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It’s the American dream. And many of us feel at least a little bit anxious about buying our first home. How do you know you’re really ready? It’s a huge life decision! The good news is, there are some objective measurements that tell you, **“YES” or “WAIT.”**

READ ON TO LEARN:

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HOW MUCH CAN YOU AFFORD? (DEBT-TO-INCOME RATIO)

The very first thing you need to understand before you go house-hunting is what you can really afford. This is determined by something called **debt-to-income (DTI) ratio.**

Basically, it's what a mortgage company is going to look at to determine how much free cash you have in your budget (which can be used for a monthly mortgage payment).

Here are some fast facts about DTI:

- ☑ **The Federal Housing Administration has a 43% DTI ratio for mortgage approval.**
- ☑ **This DTI number means that all new home expenses (including debt payments, HOA fees, taxes, insurance, etc.) can't exceed 43% of your income.**
- ☑ **Not all lenders have the same standards: some may be more lenient and others may be more strict.**

Example:

If you make $4,000 gross income a month: 4000 X 0.43 = 1720

That would mean $1,720 is as much as you should pay on mortgage payments

> **YOU DO NOT WANT TO STRETCH YOURSELF SO FAR THAT YOU CAN'T AFFORD TO PAY YOUR BILLS OR LIVE YOUR LIFE. THAT'S ALL THIS NUMBER IS MEANT TO DETERMINE.**



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WHAT LENDERS ARE LOOKING FOR

As you look into whether or not you are ready to buy a home, it's important to know what you need to prove on paper to a future lender. Lenders are just banks who will give you the money to buy a home.

The bank owns the home with you. You own more of it each month as you pay your mortgage. Eventually, when you pay off a home, the bank no longer owns it. Simple as that.

So, what do lenders want to see?

- **A solid credit score**
- **A DTI ratio lower than 50%**
- **A positive bank account balance**
- **Some savings or assets**
- **A reliable income**

AN IMPORTANT REMINDER:

It's important that you talk to an actual lender when looking into a mortgage. The amount you're qualified to rent may not be the same as what you can afford in an online mortgage calculator. This is because there are additional costs, such as annual property taxes, homeowners insurance and more.



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DOWNPAYMENT

Downpayments are one of the scariest things that keep a lot of prospective homeowners from buying a home. You may think that you need an awful lot of money for a downpayment. The good news is, you may not.

There are downpayment assistance programs. Here are some numbers to give you a realistic idea of how much a first-time homebuyer would need:

FHA loans can be obtained with as little as 3%-5% down.

To illustrate, that means if you want to buy a home that costs **$200,000**, you'll need between **$6,000-$10,000** as a downpayment.

Conventional Loans can be obtained with anywhere from 5%-20% down.

To illustrate, that means if you want to buy a home that costs **$200,000**, you'll need between **$10,000-$40,000** as a downpayment.

The good news is, there are a lot of additional resources that can help you out with a downpayment:

- **USDA downpayment assistance**
- **Downpayment assistance for educators**
- **State and local downpayment assistance programs**



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THE HOUSING MARKET

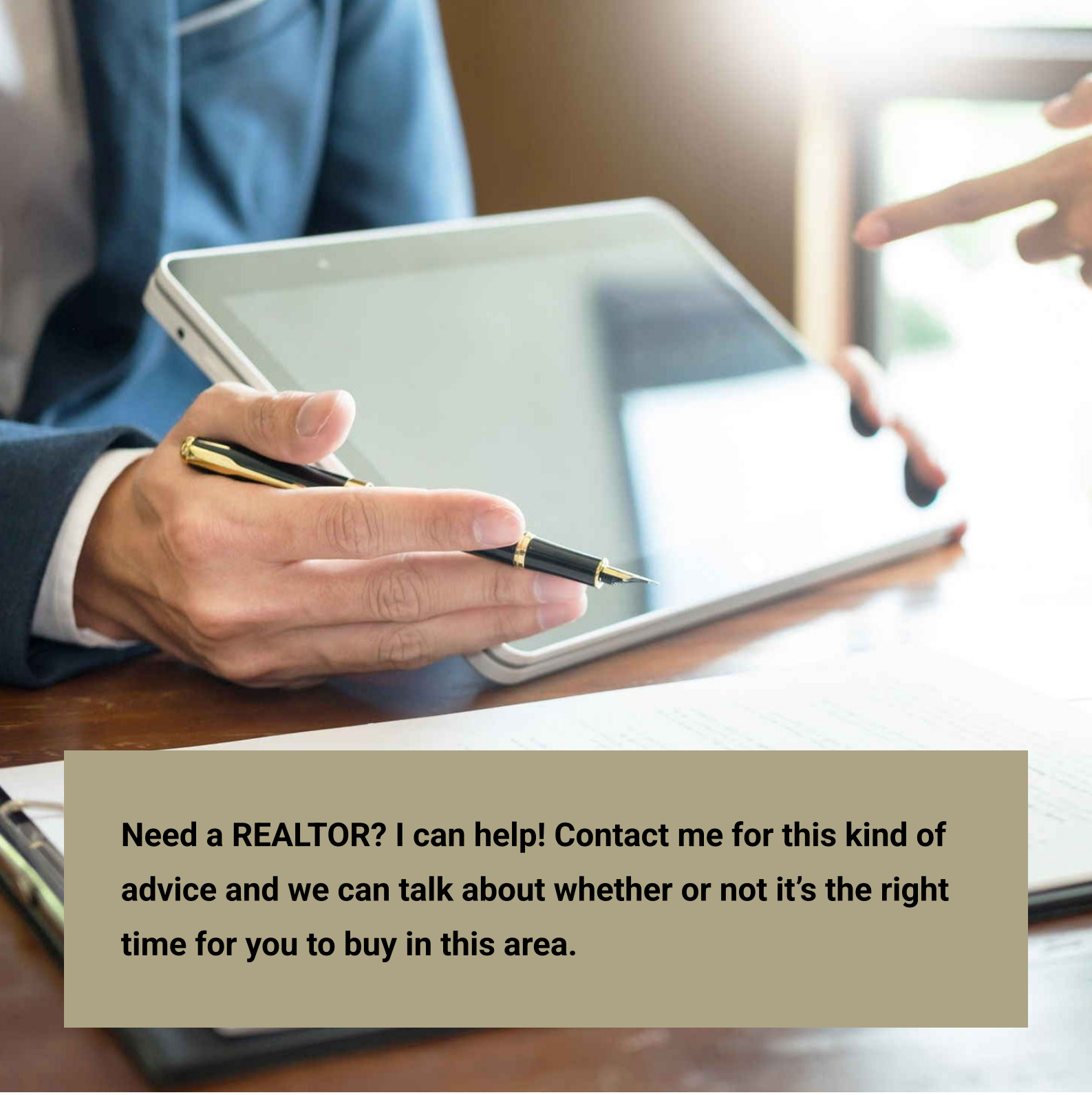
Last but not least, the housing market itself may determine whether or not you are ready to buy a home. The market goes in waves. Sometimes home prices are up (known as a “seller’s market”) and sometimes home prices are down (known as a “buyer’s market”).

Your best resource for this piece is going to be a **REALTOR.** These professionals really understand what’s going on, not just on a global level but in the neighborhood with your dream home. Find one that can provide you with some advice about whether it’s the right time to buy.





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Need a REALTOR? I can help! Contact me for this kind of advice and we can talk about whether or not it's the right time for you to buy in this area.

Get a FREE Home Value Update at : **BarbaraJ.15SecondHomeValues.com**



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