



Considering Home Ownership

PARTICIPANT'S GUIDE

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Assessing Homebuyer Readiness

What is my current financial situation?

Below are topics to think about when deciding if you are ready to buy a home. Check any statements that describe you.

Income

- I have a regular source of income.
- My income has been stable for at least the past two years.

Assets

- I know the value of my assets.

Expenses

- I know my monthly expenses and debt payments.
- I will be able to pay my bills and other debts in addition to monthly mortgage payments, taxes, insurance, and expected repairs.

Payment History

- I consistently pay my bills on time.

Debt

- I know my debt-to-income ratio.
- I know my credit score.

Savings

- I have saved enough money for a down payment and closing costs.

Follow-Up Actions

Based on your responses, are there any actions you'd like to take to further investigate these topics? Write them in the space below.

Creating a Spending Action Plan

This list includes action steps you can take to help meet your financial goals in a variety of categories.

1. Put a checkmark next to the steps you already do.
2. Circle the steps you want to take, and write down a date by which you want to complete each action.
3. Check back in on this plan frequently to mark actions complete and to set new goals.

Goal Category: Track My Spending

Already Do	Action Step	Complete By	Completed
	Research the features and fees of my current account(s).		
	Develop a system for recording all payments and deposits in my checkbook or online.		
	List my spending needs vs. wants.		
	Track my spending for one month.		
	Identify three ways to cut expenses from my monthly spending.		
	Make a plan to pay off credit card or other debt.		
	Identify the interest rate and fees of my current credit card(s).		
	Research other options that may provide better terms.		
	Identify times I haven't paid my bills on time or in full and consider the cause.		
	Consider whether any annual fees associated with my card are worth it.		
	Explore cards that offer rewards, such as points or cash back.		

Goal Category: Track My Income

Already Do	Action Step	Complete By	Completed
	Figure out how much money I bring home each month.		

Creating a Savings Action Plan

This list includes action steps you can take to help meet your financial goals in a variety of categories.

1. Put a checkmark next to the steps you already do.
2. Circle the steps you want to take, and write down a date by which you want to complete each action.
3. Check back in on this plan frequently to mark actions complete and to set new goals.

Goal Category: Track My Savings

Already Do	Action Step	Complete By	Completed
	List and track savings.		
	Open a high-interest earning savings account.		
	Research features and fees.		
	Assess current accounts.		
	Have a savings goal.		

Calculating Debt-to-Income Ratio

Complete this worksheet to estimate your debt-to-income ratio (DTI). DTI is expressed as a percentage and calculated by using the following formula:

$$\text{Total Monthly Debt Expenses} \div \text{Total Monthly Gross Income} = \text{Debt-to-Income Ratio (as a percentage)}$$

1. Determine My Monthly Income

Annual Gross Income (Pre-Tax) = _____

Monthly Gross Income (Annual Gross Income \div 12) = _____

2. Determine My Monthly Debt Payments

Monthly Debt Payments <i>(not all listed may be applicable)</i>	Amount
Mortgage payment (if you currently own a home)	
Credit card (total of all minimum amounts due)	
Auto loan	
Student loan	
Other	
Total Monthly Debt Payments	

3. Calculate My DTI

_____ \div _____ = _____ = _____%

Total Monthly Debt Payments Total Monthly Gross Income

Calculating Home Buying Costs

Purchase Price

Down payment = _____
 Mortgage payment = _____
 Insurance = _____
 Interest = _____

Miscellaneous Costs

Earnest money = _____
 Appraisal cost = _____
 Inspection cost = _____
 Utilities = _____
 Repair costs = _____

Closing Costs = _____

Purchase Price	
Miscellaneous Costs	
Closing Costs	
Total Costs	

Estimating Home Affordability

Down Payment =

+

Household Annual
Income x 2 =

OR

Household Annual
Income x 3 =

ESTIMATED HOME AFFORDABILITY =

Optional:

Calculate monthly income:

Annual income before taxes = _____ ÷ 12 = _____

Multiply monthly income by 0.28 = _____

This is the maximum amount you should pay toward housing costs per month.

Free Resources

There are many resources available to help you fully understand all aspects of home ownership. If you feel confused or uncertain, contact one of the government agencies listed below to walk you through the process.

The Truth in Lending Act requires that buyers be given information about the key features, costs, and risks of their mortgage (including Loan Estimates and Closing Disclosures).

The Consumer Financial Protection Bureau

(<https://www.consumerfinance.gov/owning-a-home>) provides protections and resources for buyers when financing a home.

The U.S. Department of Housing and Urban Development website

(https://www.hud.gov/topics/buying_a_home) has many resources, including:

- Fair Housing: Equal Opportunity for All
- Information about borrowers' rights
- Home buying programs

USA.gov has a **Finding a Home** site at <https://www.usa.gov/finding-home>.