



**FIRST TIME
HOMEBUYER**

ARE YOU READY TO BE A HOMEOWNER?

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Financially, what you should consider before making the decision to be a homeowner?

Owning a home is a keystone of wealth — both financial affluence and emotional security.

- Suze Orman



Are You

READY TO BE A HOMEOWNER?

Do you have stable income and employment? 

Will you remain in the same location for a few years? 

Are you effectively managing your budget? 

Do you have an established credit history? Is your credit history favorable? 

Have you planned a new budget, so you know what you can afford? 



Are You

READY TO BE A HOMEOWNER?

Do you consistently pay bills on time or even before the due date?



Will you remain in the same location for a few years?




Is your debt low enough so you can qualify?



If not, can you pay down your debt prior to purchasing a home?




Have you checked out all the first-time homebuyer financial assistance programs available?



“
Money does not dictate
your lifestyle, it's
what you do
to get it and how you
manage your
finances
that determines your
lifestyle.

Wayne Chirisa

A lender needs to know
what you can afford.

- 
- Gross Monthly Income
 - Monthly Debts



DETERMINE IF YOU CAN
AFFORD ANOTHER PAYMENT

$$\text{Debt to Income Ratio} = \frac{\text{Recurring Monthly Debt}}{\text{Gross Monthly Income}}$$

DTI

Example:

DTI

$$= \frac{\$2,600}{\$5,500}$$

\$2,600 { \$1,900 rent + \$400 car + \$100 student loan + \$200 credit card payment }

\$5,500 Gross Monthly Income



What does this ratio mean?

10%
or lower

You likely have little problem paying bills and managing other expenses.

15%

You are probably in pretty good shape managing your expenses.

20%

You are close to or in the danger zone for debt. A fifth of your take-home pay is going toward paying for things you bought in the past.

30%
or more

Anywhere above 20 percent is considered too much debt. If you are in the 30 percent range, then a full third of your pay is already spoken for before you even start paying your current monthly obligations.

Brown & Joseph-Moneylifewax.com

Debt

Income

How much house can I afford?

THIS IS WHAT YOU CAN AFFORD IN

Jacksonville, FL

\$304,610

YOUR MONTHLY PAYMENT

\$2,500

Affordable

Stretch

Aggressive

Your debt-to-income ratio (DTI) would be 36%, meaning 36% of your pretax income would go toward mortgage and other debts.

Monthly income
\$8,333

This DTI is in the affordable range. You'll have a comfortable cushion to cover things like food, entertainment and vacations.

Housing (30% of pretax income)	\$2,500	<div><div></div><div></div></div>
Debts (6% of pretax income)	\$500	<div><div></div></div>
Expenses & savings (32% of pretax income)	\$2,667	<div><div></div><div></div></div>
Taxes (32% of pretax income)	\$2,667	<div><div></div></div>

*DTI is the main way lenders decide how much you can spend on a mortgage.



Afford the house you want

Get free guidance on changes you can make to afford more house, without spending more.

JOIN NERDWALLET

Interest rate by credit score [?]

350

629

Poor

Average

Good

Excellent

Likely rate: 9.489% [Edit rate](#)

Loan details



Down payment & closing costs [?]

Down payment (\$60,923) is 20% of your home price

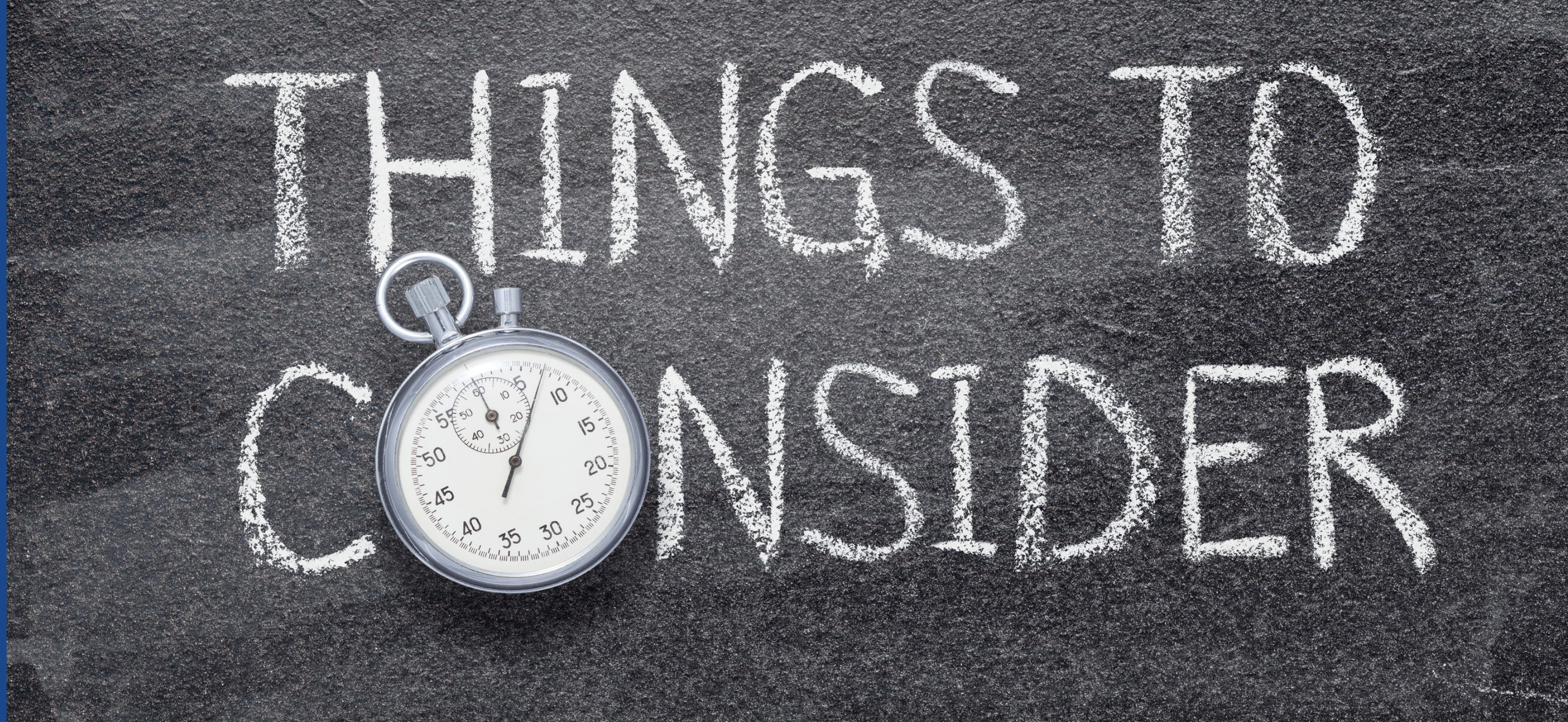
\$68,233

Loan term [?]

Impact of Debt on Affordability:

Income Comparison

Income 1 Vs. Income 2		
	Income 1	Income 2
a. Gross annual income	\$30,000.00	\$30,000.00
b. Gross monthly income (= a/12)	\$2,500.00	\$2,500.00
c. Maximum allowable combined debt amount (=b x 0.41, 41%)	\$1,025	\$1,025
d. Monthly debt payments	\$200.00	\$400.00
e. Maximum allowable PITI = (c- d)	\$825	\$625
f. Approximate affordable home price	\$97,986	\$53,447
<p>*Affordable home price calculation using Nerdwallet.com</p> <p>Price difference: \$97,986- (minus) \$53,447= \$44,539</p>		



HOA Fees

Fees may exceed
maximum
allowable limits.

Property Taxes

Homestead, Community
Development District,
Fluctuates each year.



**CREDIT
CARD**

RENT

FOOD

Groceries, utilities , gas, and your taxes generally are not included.

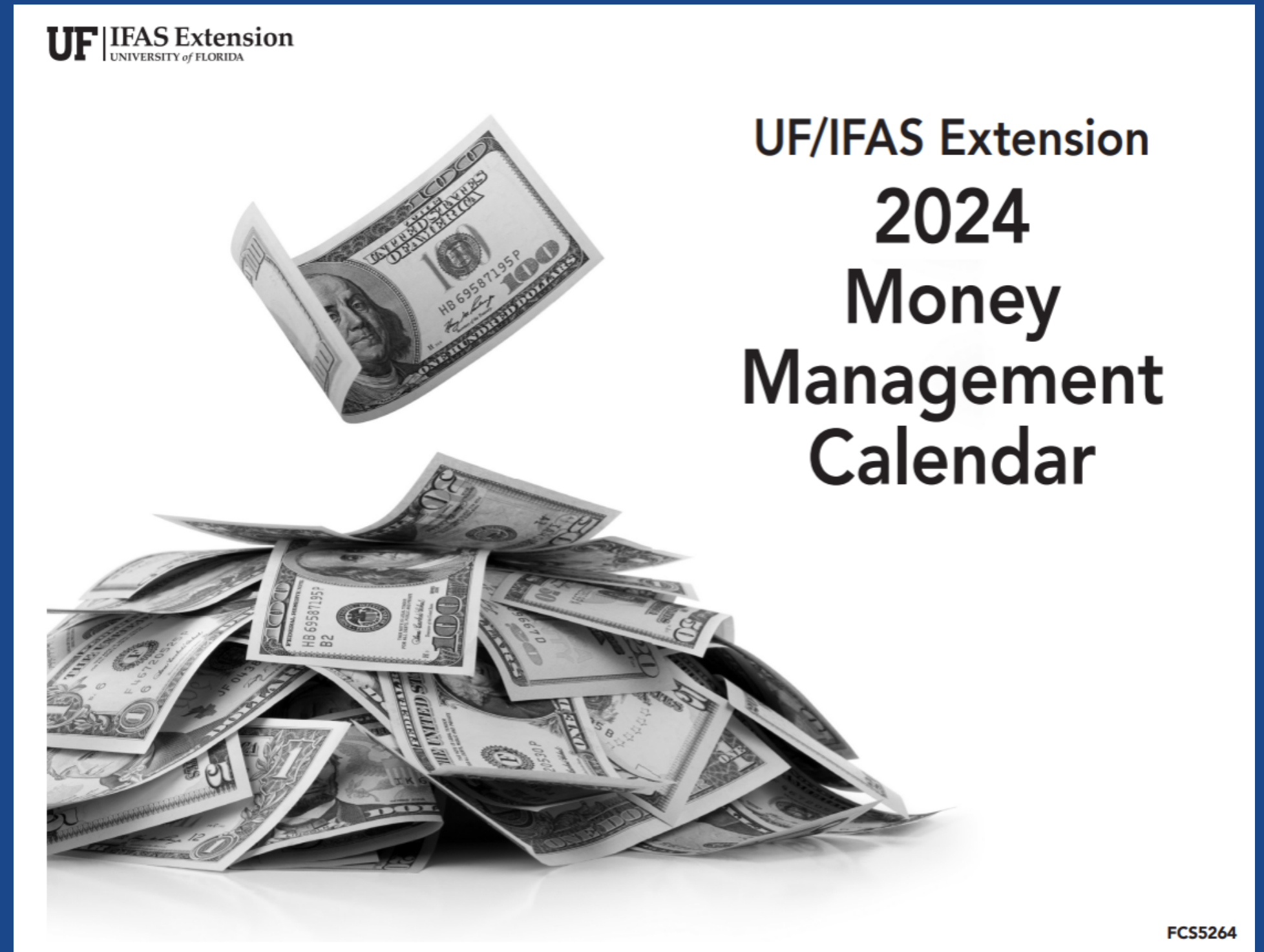
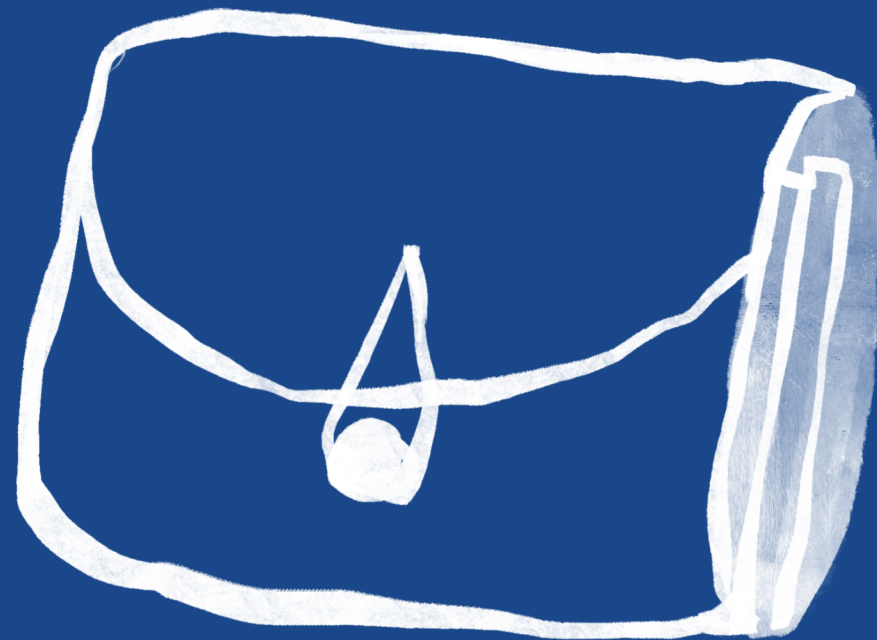


Table 1 Monthly Fixed Expenses

Expenses	\$ per month
Housing	
Rent/Mortgage	
TV/Internet	
Water	
Electricity/Fuel	
Phone	
Other	
Subtotal	\$
Loans	
Furniture/Appliances	
Automobile	
Credit Cards	
Other (student loans, etc.)	
Subtotal	\$
Child Care	
Child Support	
Child care/After school	
Other	
Subtotal	\$
Insurance	
Health	
Life	
Automobile	
Home/Renters	
Other	
Subtotal	\$
Savings	
Emergency Fund	
Periodic Expense Fund	
Holiday or Vacation Fund	
Other	
Subtotal	\$
Other	
Tithes/Tuition/HOA Fees	
Other	
Subtotal	\$

Table 2 Monthly Flexible Expenses

Expenses	\$ per month
Food and Supplies	
Groceries	
Eating Out/Vending Machines/Convenience Stores/Food delivery services	
Cleaning/Other Supplies	
Other	
Subtotal	\$
Clothing and Personal	
Clothing Purchases	
Repairs/Alterations	
Accessories and Shoes	
Hair Care/Personal Care	
Other	
Subtotal	\$
Transportation	
Ride Sharing/Public Transportation	
Maintenance (Tune-ups, tires, etc.)	
Operation (Gas, Oil)	
Other (Tags & Licenses)	
Subtotal	\$
Medical Care	
Doctor's bills/Copays	
Prescriptions	
Therapy	
Other	
Subtotal	\$
Education/Recreation	
Movies/Music/Books	
School Supplies	
Vacations	
Others	
Subtotal	\$
Gifts & Donations	
Birthdays/Holidays/Anniversaries	
Charities	
Other	
Subtotal	\$



Have you determined you are ready to be a homeowner?



Yes



No

Next Steps:

Credit Score

4 C's of Credit

Character

Credit History

Employment History

How have they paid past debt?

Is income stable?

Capacity

Can they pay the debt?

What is their income and other debts?

Capital

How much money is there for a down payment or deposit?

Cash/Assets

Collateral

Property or assets being purchased and will be secured by the debt.



SCORE

Exceptional	800 - 850
Very Good	740 - 799
Good	670 - 739
Fair	580 - 669
Poor	300 - 579



Source: ficoscore.com/education/

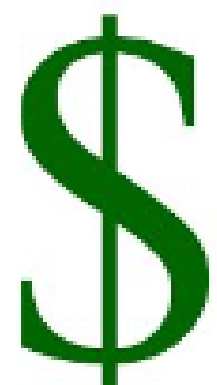
GOOD CREDIT SAVES YOU MONEY

The higher your score, the less you'll spend to buy things on credit.

Example:

Let's say you want to buy a \$25,000 Car, and you want to pay it off in 4 years.

Credit Score	APR	Monthly Payment
500-589 (Low)	14.815%	\$693
720-850 (High)	3.303%	\$557



Good credit saves \$136.00 per month

That is \$6,562 over the 4-year loan!



Credit for Homebuyers

- Avoid opening new credit within 6 months.
- Need 2-3 lines of credit history on your credit report
- Reduce revolving credit balances below 30%
- Shop for a mortgage over a 30-day period.
- Multiple pulls by lenders will count as one pull.



Are You Ready to Purchase a Home?



- Your Debt and Homeownership
- Gross Income
- Monthly Debt
- Debt-to-income ratio



Thanks for Joining!



@FYCSHomebuyers



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FRMParks.eventbrite.com

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