

A vertical photograph on the left side of the page shows a family of four moving into a new home. In the foreground, a young girl with light brown hair, wearing a brown knit sweater, is smiling broadly while holding the edge of a large cardboard box. Behind her, a woman with long dark hair is also smiling. In the background, a man and another child are visible, also smiling and surrounded by more cardboard boxes. The scene is brightly lit, suggesting a sunny day indoors.

Things to consider as a *first-time homebuyer*

Buying a home is a big decision, so it pays to be informed about what's involved. Set yourself up for success by completing the following checklist and working with your financial professional to understand your next steps for making your home ownership dreams come true.

1. Do a financial checkup.

Determine your debt-to-income (DTI) ratio. Add up your monthly bills and divide them by your gross monthly income (before taxes). The lower your DTI, the less risky you are to lenders.

Know your credit score. Typically, FICO scores over 760 earn you the best mortgage rates and terms, whereas a score under 500 tends to be too low for a mortgage approval.

Know what you can afford. Consider keeping housing costs to less than 30% of your gross income. Budget for mortgage payments, property taxes, homeowners and mortgage insurance, utilities like heating, electric, and water, and home maintenance and repairs.

Check if you qualify for grants and low-interest loans for housing. See what's available through your local state government website and the Federal Housing Authority and Federal National Mortgage Association websites.

2. Pay off debt.

Eliminate high-interest debt. This step can help you qualify for a higher mortgage at a lower interest rate. Credit card balances are an example.

Pay off loans that would improve your cash flow. Car loans often fall into this category.

3. Build savings.

Closing costs. Factor in home inspection, legal fees, and land transfer taxes.

Consider 6 months' salary (at least). Be sure you can cover emergencies and other unexpected costs.

Retirement. Create a plan for increasing your retirement contributions until you max out.

4. Pre-qualify for a mortgage – before you start house shopping

Determine what price range is realistic for you. Many realtors will not work with someone who is not pre-qualified.

5. Have a financial plan for meeting all your goals.

Work with your financial professional or leverage online budgeting tools and savings calculators to create a plan that covers house-related costs while balancing long-term goals like retirement.

Have questions?

Your financial professional can help you review this checklist to better understand your options and plan your next steps as you prepare for this exciting new phase of your life.

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