



Consumer Credit Counseling Service
of Maryland and Delaware, Inc.

Helping people help themselves through Education, Financial Counseling and Debt Repayment

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EIGHT STEPS TO TAKE *BEFORE* PURCHASING A HOME

BALTIMORE, MD - Home ownership is often considered to be a tangible sign that we have reached the American dream. It also is the biggest purchase that most of us will ever make. With lots of properties currently on the market and interest rates possibly on the rise, right now may be a great time to buy a home. But it's not enough to know what neighborhood, style of home or square footage you want. You also need to have your personal finances in order. Your financial history and credit rating will affect your ability to qualify for a mortgage and influence the loan rate you receive. Taking these eight steps will help ensure that you are ready when your dream home comes along:

1. **Set up a plan.** Carefully review your current financial situation. This will help you determine how large of a mortgage you can afford. Begin by taking an inventory of all your monthly expenses. Don't forget to include items like food, utilities, your home telephone, family cell phones, Internet access fees, and homeowners insurance. Also consider how much savings you can put down while still maintaining funds to cover anticipated homeownership expenses and possible financial emergencies.
2. **Enroll in low-cost pre-purchase counseling from a HUD-approved nonprofit agency.** A certified counselor at an organization such as CCCS of MD & DE can help you:
 - Identify barriers that may affect your ability to buy and own a home.
 - Obtain and privately review your credit report and score.
 - Provide budgeting and money management advice.
 - Assist you in resolving credit issues.
 - Gain down payment assistance referrals and other resources.
 - Make informed decisions throughout the home buying process and beyond.
3. **Consider how the 3Cs impact your purchase.** "Location, location, location" is mantra for real estate, but when it comes to mortgage financing, you won't get far without capacity, character and collateral.
 - **Capacity** - Your financial ability to repay your loan.
 - **Character** - Your personal profile based on your credit history (e.g., your debt payment history.)
 - **Collateral** - The value of the home you're buying must appraise for at least the amount of the loan.

4. **Develop and maintain stable employment.** Your employment history and stability affect how lenders view potential mortgagees. As a rule, they prefer that you have at least two years of employment with the same employer or in a related field.
5. **Accumulate as much savings as possible.** There are many upfront costs that come with buying a home. A down payment is almost always required and can range from 3-20 percent of the total cost of the home. Closing costs differ from state-to-state and for first-time buyers, but usually add up to 2-7 percent of the mortgage loan. Moving and settling costs are also generally involved. It is better to overestimate these costs than to underestimate them.
6. **Take a look at how creditors view you.** Request and examine a copy of your credit report. Then work to correct any errors on it and to repair any negative listings that have resulted from late and negligent payments. Note: All U. S. citizens are legally entitled to receive one free credit report every 12 months from each of the three major credit reporting agencies. To obtain yours, visit <http://www.annualcreditreport.com> or call toll-free 1-877-730-4104. You may want to consider purchasing your FICO score (credit score). Also take a look at your debt-to-income ratio. Lenders consider all of these items before deciding how much mortgage money to loan you.
7. **Before house hunting, become pre-approved for a loan.** This way you will know how much mortgage you can afford and avoid the emotional let-down of falling in love with a home that is out of your price range. Preapproval also can save you time and the embarrassment of being turned down for a loan once you begin the very competitive process of bidding on a home.
8. **Appraise and inspect the property.** Before you purchase a home, request an independent certified appraisal report to objectively establish the market value of the property. For comparison purposes, the County Clerk's Office and the local library also may have resources available that show the market value of nearby homes. Also arrange for an independent certified home inspection to help detect maintenance risks such as a leaky roof or plumbing problems. Although neither of these reports are free of charge, the cost of paying for them is minimal compared with paying too much at purchase or expensive, unbudgeted renovations down the road.

Homeowners receive many benefits: Increased personal freedom and security, possible tax deductions, and the chance to build credit and equity over time. Successful homeownership begins with informed decision making. If you would like to know more about the prepurchase process, please contact CCCS of MD & DE at 1-866-731-8486 or visit www.cccs-inc.org.

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Consumer Credit Counseling Service of MD & DE, Inc. (CCCS) is an accredited 501(c)(3) nonprofit agency that has served the local community since 1966. CCCS helps individuals and families resolve their financial and housing issues and gain economic self sufficiency through financial literacy education and counseling. For further information about our vision, values, and services, please visit our website at cccs-inc.org. Maryland State License #14-01, Delaware State License #07-01.