

Homeowner's Guide

Buying a home can be a defining time in your life. Buying a home is not a one-day decision; it takes time and money to acquire a home that is just right for you. Nevertheless, the confusing process of buying a home does not have to deter you from the dream. This resource provides some simple rules to the game of buying and owning a home. The best way to be successful is researching and thinking about what you want before you make this big decision. In this way you can get your dream fulfilled in a very practical way.

Buying A Home

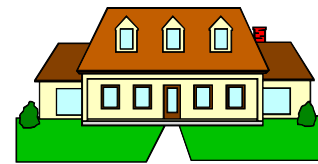
Step 1: Financial Stability

There are several things you need to assess when you decide to buy a home. Are you ready to buy a home? Lenders will look at your **credit history** to determine whether you are ready to make the financial commitment to buy a home. To view a *free* credit report, you can visit the websites of three companies: Equifax (www.equifax.com), Experian (www.experian.com), or TransUnion (www.transunion.com). To build a good credit report you must:

- *Have a steady job history.* Lenders look at whether or not you have maintained employment for two years or more. This shows them that you have steady income and have actively worked over your lifetime.
- *Pay bills on time.* Paying your bills before or on the due date shows a lender that you have responsible payment practices. You will be expected to pay a **mortgage** every month if you buy a home, and paying your current bills on time shows that you will pay your mortgage on time every month.
- *Pay off loans and credit cards.* Paying off your loans and credit cards relieves you of debt and financial burden that could limit the money you have available to buy a home. This also helps your credit report.
- *Use a budget.* When you use a budget, you will be able to save money.

Having a good credit report will be a great benefit when you start looking for mortgage loans.

The **Fannie Mae Foundation** has an informational booklet called *Knowing and Understanding Your Credit* that can help you understand all you need to know about your credit history and how it can help you in the home buying process. **Women Work!** also has tip sheets such as *Knowing and Fixing Your Credit* that provide ways to rebuild your credit.



Step 2: Finding a Home

Another step in the home buying process is actually finding a house you want to buy. The **U.S. Department of Housing and Urban Development (HUD)** provides a list of things that you should consider when finding a house that fits your dream and your budget.

- *Finding the right real estate agent.* One of the best ways to find an agent is to talk to friends and family who have bought a home. This way you can get an honest opinion about a particular agent's services. Another way is to look for an agent in your local yellow pages and consider a few before deciding on one particular agent. Make sure you talk to all of them and ask them about their services, how well they know the local area, etc. The agent that makes you the most comfortable and works well with what you want is the best fit for you.



On the other hand, you can always search for houses on your own. Check local listings about houses available in your area or look in the yellow pages for realty companies that have a selection of houses available for sale.

- *Determining your housing needs.* You should choose a home that allows you to live within your means, is comfortable and safe, and has features that appeal to your lifestyle. Looking at how close your home may be to schools, grocery stores, etc. will help you make a decision about the type of home you want.

- *Selecting a community.* In determining your housing needs, you should look at the type of community a house is located in. You want to choose a community in which you feel comfortable and safe.



- *What to look for when viewing a house.* You should look at the inside and outside of the home thoroughly to make sure you are getting a sound house. Your real estate agent should be able to let you know the pros and cons of each home you visit and you should look at the structure of the house, the yard, etc. so that you will be happy with it if you decide to buy it. HUD has a list on their website of things to look for during visits.

These are just a few of the things that you should consider when searching for a home. Visit www.hud.gov or call (202) 708-1112 to find out more about finding a house. HUD is the federal organization that oversees home ownership, low-income housing assistance, fair housing laws, and also offers grants.

Step 3: Money

Once you find your home you will need to figure out how you will pay for it. One important thing you need to know about is your mortgage. A mortgage is a pledge on your home you give as the lender's security for repayment of your loan. You will have to pay a mortgage every month and your monthly payment depends on the amount of money you borrow, the interest rate, and the repayment period, or "term," you agree to pay the loan back. The most popular type of mortgage term is a 30-year fixed rate loan. This means that you would agree to pay a monthly mortgage that is based on an interest rate that will not change for the duration of the repayment term of 30 years. The interest rate is the money you pay for the use of the money you borrow. To learn more about mortgages, read the Fannie Mae Foundation's informational booklet *Choosing the Mortgage That's Right For You*.

Other resources for finding home loans and payment information can be found at the **Freddie Mac Foundation** www.freddiemac.com and HUD www.hud.gov.



Step 4: Buying Your House!

So you've found the right house and the right mortgage! Before you can move in there are still some things you need to know about your new home. Make sure you are clear about your lending and mortgage terms, that you've had someone inspect your new home for repairs and soundness, and that you understand the financial obligations of closing costs and housing costs (utilities, furniture, etc.). After you have understood all of these things, you can purchase your new house and start making it your home!

