Unlocking HOMEOWNERSHIP

KNOW YOUR FINANCIAL HEALTH

Buying your first home can be exciting and frightening at the same time. Evaluating and improving your financial health can help alleviate some of those fears. It will also help you identify exactly how much house you can afford.

Check your credit score.

An important step to finding a home is ensuring a good credit history. The interest rate you'll be offered for a mortgage depends heavily on your credit score.

- **Request a copy of your credit score report and ensure it is correct.**
  Your credit report illustrates your credit performance and needs to be accurate so you can apply for a mortgage. You can access it for free at AnnualCreditReport.com or by calling 1-877-322-8228.
- **Fix financial errors.**
  Clean up your credit and pay down your debt. If you address problems early, such as incorrect personal information, account status or balance errors, you are more likely to qualify for a better interest rate.

Improve Your Credit.

- **Set up automatic bill pay.**
  The longer you pay your bills on time, the better your score. Avoid missed payments by setting as many of your bills as possible to automatic pay.
- **Don't close old, paid-off accounts.**
  According to FICO, closing accounts can never help your score — and can in fact damage it.
- **Build credit through renting.**
  VantageScore's scoring model, created by the three major credit bureaus, will now weigh rent and utility payment records.
- **Keep balances low on credit cards and "revolving credit."**
  Large balances can hurt your scores, regardless of whether you pay your bills in full each month. You can often increase your scores by limiting your charges to 30% or less of a card's limit.
- **Talk to credit counselors if you're in trouble.**
  Using legitimate, non-profit credit counseling can help you manage your debt and won't hurt your credit score. For more information on debt management, contact the National Foundation for Consumer Credit.

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Lower your debt-to-income (DTI) ratio.

Mortgage lenders assess your debt-to-income (DTI) ratio to determine whether you can afford monthly mortgage payments. This figure compares how much money you owe (your debts) to how much you earn (your income).

- **Pay off debt.**
  If possible, the preferred option to lower your DTI is by repaying as much of your debt as you can manage. To make the most impact, prioritize the debt with the highest monthly payment.
- **Refinance existing loans.**
  Seek options for lowering your debt's interest rate or attempt to lengthen the loan's duration.
- **Pay off high-interest loans.**
  If you cannot refinance your loans, focus on re-paying the higher-interest ones first. These carry a heavier weight in your DTI calculation, so paying them off first will improve the ratio.