

# FIRST HOME

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## READY | SET | BUY - PLAYBOOK

GET FINANCIALLY READY TO BUY\*

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- 2020 -

\*Disclaimer: Any materials and communications related to this program are provided for research and information purposes only. They are not a replacement for advice from an accountant or other qualified financial or mortgage professional. All information provided is as accurate as possible, but there may be errors, and The Long & Foster Companies, Inc. ("Long & Foster") is not responsible for those errors.

# ACTION PLAN WORKSHEET

Some of our first-time home buyers have told us that it took them a while to get financially ready to buy their first home and there were a lot of steps. To support future buyers, we have created an “action plan” for you to follow to help save for a down payment, optimize your credit score, etc.

Whether you are just starting to save or have been saving and want to increase your credit score, we’ve created a step-by-step checklist worksheet for you to use.



## HOW IT WORKS



This action plan is broken into three sections. First, you’ll start by setting up and continuing with Savings and Budgeting. Once that is started, you’ll focus, in parallel, on Improving Credit so you have the opportunity to secure the mortgage you want.

While you continue these two topic areas, we also show you ways to understand How Much You Can Afford based on your income, using our quick calculators and other tools.

We’ve structured this Checklist Worksheet so that you can measure your progress. You’re able to check Started when you begin an action item and then check Completed when you’re finished.

This action plan to get you financially ready to buy will take different amounts of time for each individual depending on how much you save over time, what your savings goal for a down payment is, etc. Of course, the longer you wait to start, the longer it will usually take, so start today.



# SAVING & BUDGETING



## Decide on a Savings Goal →

Pick a savings target \$ amount overall; how much to save each month; and the resulting time it will take to achieve your goal. As you work through the other steps below, you might want to adjust your savings goal to increase monthly savings or adjust down if unrealistic.

\$ Savings Goal	Monthly Savings Needed	Months To Reach Goal



## Dedicate a Specific Account for Your First Home Savings →

Open a new high-yield savings account and schedule automatic transfers from your checking account to your savings account every time you are paid. If you want to consider a financial institution to keep this account isolated, search [bankrate.com](http://bankrate.com) or similar sites for the best rates.



## Select a Tool to Track Your Monthly Expenditures →

It is critical to select a tool and use this every month. Some people like the flexibility of a basic spreadsheet which allows for your own customization but does require manual input. Others prefer free or paid apps with some options even connecting with your credit card and bank accounts to document transactions. A spreadsheet is an easy way to kick start and then consider more automated approaches.



## Track Your First Month Expenses →

Keep track of all spending for a month and break down the expenses into categories. The federal Consumer Financial Protection Bureau offers a [Monthly Tracking Sheet](#) to segment your expenditures to see how much you're spending across categories like cell phone, eating out, entertainment, healthcare, pets, etc. Be diligent to track all your expenses for the first month.



## Create Your "Going Forward" Monthly Budget →

Now that you've got a feel for recurring monthly expenses, consider savings approaches such as the 50/30/20 approach. Half your income goes toward Necessities such as housing, health insurance, a car and food. Another 30 percent goes toward Wants, like entertainment. The rest goes to Saving & Investing. If you are over 50% on Necessities or 30% on Wants, you might consider other subject matter sources or a financial planner to help you get those expenditures where you can save at least 20%.



## At End of Month 2, Modify Your Monthly Budget →

Look over all of your necessary and discretionary spending by category and sub-category. What do you notice? Do impulse purchases add up? Are there services you can cut back on for a while? Look for ways to save, and be sure to funnel those dollars into your home-ownership fund. Modify as needed at the end of each month to save more.



## Pay Down Your Debt →

Using your spreadsheet (or alternate tool), capture your minimum payments, and percentage interest each creditor charges you for any outstanding debts you have. If you want help, consider using a service such as [The National Foundation for Credit Counseling](#), the largest nonprofit financial counseling organization in the U.S. Create a plan for paying down the debt, especially if on depreciating assets with high interest rates.



## Consider Additional Ways to Cut Your Expenses →

If you want to achieve your savings goal faster, consider the “next level” of changes to your spending behavior. Wherever possible, cut rent costs, auto expenses, set a goal to cut a certain percent of the “Wants” you spend on today. There are many sources of inspiration on-line for ideas. Commit to the reduction.



## Increase Your Income →

Do you have the time or skills for a part-time side gig? Or maybe your position offers overtime. Make a few extra bucks from selling items locally or online that are just taking up space. Challenge yourself on ways to bring in even a small percent of additional income and put it all into your first home fund.





# IMPROVING YOUR CREDIT

You'll need to have a good credit score to get a loan, and to qualify for the best interest rate. The higher the interest rate, the more you will pay per month and in the long term. Borrowers with histories of responsible credit usually get the lowest rates.

Credit rating bureaus use proprietary formulas to evaluate the data in your profile and compare it to credit performance of consumers with similar profiles. They use the data to create a score, which tells lenders how likely you are to pay on time or default.



## Understand The 5 Factors of a Credit Score →

Learn more about the five factors of a Credit Score:

- Making payments on time.
- Credit usage.
- Length of credit history.
- Recent applications for more credit.
- Mix of credit types.



## Understand How an Individual's Credit Score is Determined →

Your credit reports document your history of credit utilization. There are many scoring models that draw from your credit files to predict your likelihood of paying debts on time. The credit score is separate. Generally, scores range from 300 to 850, and higher is better.



## Request Your Free Credit Report →

Check your credit at [annualcreditreport.com](https://annualcreditreport.com), the only site authorized by federal law as a portal for you to gain access to your reports maintained by the three major bureaus. Some people access one of the reports every four months, as a way of monitoring their credit year-round.



## Review Your Credit Report for Accuracy →

When you receive your credit report, what should you look for when reading your credit report? Look for accounts you don't recognize; the accuracy of personal info; and errors, etc. The report will include instructions on how to dispute incorrect information. You can also find sample dispute letters at [consumerfinance.gov](https://consumerfinance.gov).



## Implement Tips to Improve Your Credit →

There's no secret to building good credit. Follow tips from reputable sources to make sure lenders see you're a responsible borrower, such as make payments on time, use a mix of credit, don't max accounts or use more than 30 percent of available credit.



# HOW MUCH CAN I AFFORD?



## Calculate How Much You Can Afford →

Many variables go into determining what you can afford. Your annual salary, your other financial obligations, and how much down payment you'll put forward, all go into the calculation. One general rule used by the Federal Housing Administration, says your mortgage payment shouldn't take more than 31 percent of your monthly income, and your total debts should be less than 43 percent. A mortgage professional will be able to run the numbers using your inputs.



## Determine Income Level Needed for Specific Mortgage Payment →

You probably have a specific target in mind when it comes to how much you want to pay per month for housing. Don't forget to factor in home maintenance, HOA fees, taxes, private mortgage insurance if required, and homeowner's insurance.



## Consider Home Prices & The Resulting Mortgage Payments →

How much would your payment be for a certain home, once you factor in principle, interest, insurance, property taxes, and other expenses? Remember to account for those costs in your budget, as you determine which homes are within your price range. And don't forget to leave room for maintenance and repairs. Consult your mortgage professional and/or financial professional as additional resources.



## Understand Down Payment Myth vs Reality →

Lack of savings keeps many would-be buyers on the sidelines, but buying a home might not require as much cash as you think. A few down payment truths.



## What Sources Can You Use for a Down Payment? →

Some buyers are able to augment personal savings with alternate sources, to cover down payments and other expenses associated with buying a home. Just be sure to understand the rules and laws that might affect use of these funds.



## Understand the Differences Between Pre-Qualification & Pre-Approval →

These two options both have their place in home-buying, but pre-approval is what you need to show sellers you're ready to buy, because it shows you have applied for a mortgage and a lender has evaluated your ability to pay.



## Review Mortgage Basics →

If you have a base level of understanding about mortgages, you'll be more comfortable when you use a team of real estate and mortgage lending professionals.



## TOOLS & CALCULATORS



### Calculate What You Can Afford, Income Needed, and Payment Amounts →

How much can you borrow from a lender? Use this calculator to see the amount you can afford from the lender's point of view.



### Prioritize Features in a Future Home →

Finding the right home for the amount you can afford starts with not only understanding your needs and wants but also prioritizing them. What are your must-haves? Nice-to-haves? Deal-breakers? We created a simple, interactive tool to help you.



### Search Homes Available for Monthly \$ Amount →

Our Smarter Home Search lets you easily enter a monthly payment amount and see what homes are available in that range. Change the location. Change the amount. See the differences.



### Research Communities →

The best coffee in town? Close to museums? An easy commute? Before you find the perfect home, find the perfect community. We created highlights of hundreds of communities for you.




### Deciding to Buy vs Rent →

Still renting an apartment and still unsure if buying is right for you? There are pros and cons for each. Plus we have a calculator to understand the financial differences.



## ENROLL IN FIRST HOME

When you're ready to buy your first home, knowing where to begin the next part of the journey can be confusing. That's why the next step towards home ownership is to use the First Home program.

 1-888-462-9111

You will get your own First Home Guide who will understand your needs and connect you with your dedicated team members to find you the right home, secure the best mortgage, obtain the right insurance protection, close the transaction and move you into your first home.