



## Financial Readiness

Once you decide that home ownership is the right step for you, it's time to make sure you are financially prepared to accomplish that goal.

### There are two main components of the price of your home:

- **Down payment – from your savings:** the initial payment that is due at the outset of your home purchase. Down payments are generally 5-20% of the home purchase price. In some cases, down payments can be even less.
- **Monthly mortgage payments – from your income:** you'll make monthly mortgage payments until you pay off the total loan amount or until you refinance your mortgage (home loan). This monthly payment consists of a part of the principal as well as monthly interest payments.

### Here are some questions to ask yourself:

- Do you have a steady source of income to support your monthly payments?
- Do you have savings or another source for a down payment?
- Do you have a realistic picture of your expenses? Have you gone through the budgeting process? What can you afford to pay monthly for housing?
- Have you established credit? Do you have a good credit repayment history?

### Prepare a household budget

Prepare a household budget in order to get an idea of where your income is going, what you're spending in each area of your life and where you could potentially make cuts in order to afford home loan payments and your down payment. We've provided some tools in the Resource section of this page to help you determine your annual budget

Before trying to determine your price range for a home based on your current income, savings and credit, **meet with a home loan lender.** They'll help you find out how much you can afford and determine what steps you need to take to be more financially prepared. The next step will tell you how to work with a lender. And before you take any steps to improve your credit, check with the lender to determine the most effective actions to take to maximize your credit score.

Beside financial readiness, make sure you are educated on the home buying process before you embark on your path to home ownership. You're in the right place! There are no dumb questions.

[◀ Pros and Cons](#)

[Selecting a Lender ▶](#)

## Resources

- [Spending Tracker \(PDF\)](#)
- [I Wanna Buy a House Checklist \(PDF\)](#)
- ["How To Make a Budget"](#)
- [The Importance of Your Credit Score \(PDF\)](#)
- [25 Home Buying Tips \(PDF\)](#)

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