

# Preparing for Homeownership



# Homeownership

Homeownership is a dream for many people. Purchasing a home can be exciting, but it can also be an intimidating process. Educating future homebuyers will help them gain a stronger foundation for a new beginning. To help prepare for homeownership you should start the following..

- Establish a Good Credit History
- Start a Budget
- Start a Savings Plan
- Educate yourself



# Money and Credit

- We talk about money and credit constantly in business and in the news. However, we rarely discuss these subjects over dinner with friends and family except, perhaps, when there is an argument over the lack of money to meet financial obligations or the mismanagement of funds.
- We are surrounded by opportunities to spend money and the temptation to borrow. Yet, despite this, little is known by the average person about the world of money and credit.
- We owe it to our communities to provide education about money and credit.

# Building Better Credit

Good credit is an increasingly important part of a consumer's financial power, but good credit is no accident. It's the result of discipline and planning.

- Encourage people to start today! Good credit will pay off with greater financial opportunities in the future. A good credit history increases the confidence of lenders and creditors when they loan money to you.
- Lenders will review your credit history to determine the overall creditworthiness.
- Your ability to secure loan approval will be hindered if a lender or creditor finds that your credit report contains several late payments or negative factors such as:
  - Collections
  - Charge-offs
  - Judgements

More severe types of derogatory credit, such as bankruptcies and foreclosures, may severely limit your loan options for an extended period of time.

# Know what's in your credit report

- Check your credit reports at least once a year to make sure there are no errors that could keep you from getting credit.
- Under federal law, each of the national credit reporting companies-Equifax, Experian, and TransUnion-is required to provide you with a free copy of your credit report once every 12 months, if you ask for it.
- To order, visit <https://www.annualcreditreport.com> or call 1-877-322-8228.

*Important:* Make sure you are on the site listed above before ordering your report. This is the official site, authorized by the Federal government, for you to get your free report.

# Fix errors in your credit report

The information in your credit report affects whether you can get a loan-and how much you will have to pay to borrow money. Make sure your credit report contains only items about you. Look for information that is inaccurate or incomplete, such...

- Loans or credit cards listed that you never opened.
- Misspelled names
- Addresses of places where you did not live
- Names of employers you did not work for
- Information that should no longer be on your credit report, such as bankruptcy that is more than ten years old.

If you find errors, it doesn't cost anything to dispute mistakes or outdated items on your credit report. Both the credit reporting company and the information provider are responsible for correcting inaccurate or incomplete information on your report.

# Disputing items with the credit reporting company

- Tell the credit reporting company, in writing what information you think is inaccurate.
- Include copies of any documents that support your position.
- In addition to including your complete name and address, your letter should identify each item in your report that you dispute; state the facts and the reasons you dispute the information, and ask that it be removed or corrected.
- You may want to enclose a copy of your report, and circle the items in questions.
- Send your letter by certified mail, “return receipt requested,” so you can document that the credit reporting company got it.
- Keep copies of your dispute letter and enclosures.

# Investigation

- Credit reporting companies must investigate the items you question within 30 days.
- They also must forward all the relevant data you provided about the inaccuracy to the organization that provided the information.
- After the information provider gets notice of a dispute from the credit reporting company, it must investigate, review the relevant information, and report the results back to the credit reporting company.
- If the investigation reveals that the dispute information is inaccurate, the information provider has to notify the nationwide credit reporting companies so they can correct it in your file.
- When the investigation is complete, the credit reporting company must give you the results in writing and a free copy of your report if the dispute results in a change.



# Disputing items with the creditor

- Tell the creditor or other information provider, in writing, that you dispute an item.
- Include copies of any documents that support your position.
- If the provider reports the item to a consumer reporting company, it must include a notice of your dispute.
- If the information is found to be inaccurate, the provider may not report it again.

## *Accurate Negative Information*

When negative information in your report is accurate, only time can make it go away. A credit reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years.

# Reasons for Financial Difficulties

As you know, life can be full of surprises. There are a number of major reasons for financial difficulties, including:

- ❖ Poor money management (overspending, compulsive buying, purchasing things you can't afford)
- ❖ Loss of income (job loss, divorce, death)
- ❖ Emergency and/or unexpected expenses (car repair, house repair, medical expenses, etc.)
- ❖ Fraudulent use of your credit card-identity theft

All the items listed above, except poor money management, may not always be within your control.

# How to Cope with Financial Crisis?

So, how can you put the pieces back together and hopefully keep your credit intact?

***Communication and early intervention are the keys to helping you cope with a financial crisis.***

Here are some tips to help you get through a difficult time and keep your credit intact...

- ❖ **Call your lender or creditor**, explain your solution and work with them. Creditors always respond better to a consumer who reaches out to them, rather than a consumer who avoids them. By contacting them, you can make payment arrangements or restructure the debt. Never ignore communication from your lender or creditor.
- ❖ **Be honest and don't give up.** If you tell the truth to your creditors, you'll ensure a good relationship and positive resolution.
- ❖ **Restore your credit.**

# Steps to Restore Your Credit

Restoring your credit takes hard work and discipline, but it's well worth in in the long run. **Don't give up!**

## **Take the following steps to restore your credit:**

- Prepare a spending plan
- Examine how much you owe on a monthly basis, to whom and when it is due.
- Contact creditors or third party debt collectors to whom payment is overdue and work out payment arrangements.
- Investigate where additional sources of money can be obtained to pay off debt.
- Sell assets or personal belongings you do not need
- Consider getting a second job
- Remember...Dispute the account if you think it is in error.

**The key to establishing a good credit history is honoring your promise to repay loans or credit cards as agreed-on time and in the amounts scheduled.**

# Tips for improving your credit score

- **Request a copy of your credit report and make sure it is correct.**
- **Set up automatic bill pay.** Payment history makes up 35 percent of your FICO credit score. The longer you pay your bills on time, the better your score. Avoid missed payments by setting up as many of your bills to automatic pay as possible.
- **Use credit cards carefully.** Credit cards are convenient and easy to use, but using them recklessly can hurt your credit. If you allow your credit cards to reach high, unpaid balances, it can hurt your credit score. You can often increase your scores by limiting your charges to 30 percent or less of a card's limit.
- **Apply for and open new credit accounts only as needed.** Keep in mind the next time a retailer offers you 10 percent off if you open an account. However, if you need a new line of credit, don't jump at the first appealing offer; compare rates and fees offered through mail solicitation, on the internet or your local bank. Avoid opening too many credit cards.
- **Avoid missed or late payments with any creditor.** This will damage your credit rating.
- **Don't let anyone else borrower** your credit card, debit card or in any way have access to your bank account.

# Credit Repair Companies

“We can remove bankruptcies, judgments, liens and bad loans from your credit file forever!”

“We can erase your bad credit-100% guaranteed”

“Create a new credit identity-legally.”

- **Beware of credit-repair scams.** Avoid disreputable credit repair companies at all costs. The fact is there's no quick fix for creditworthiness. Those that promise a quick, easy fix could take your money and get you into more debt. Instead, contact a reputable nonprofit credit counseling organization.
- **You can improve your credit report** legitimately, but it takes time, a conscious effort and sticking to a personal debt repayment plan.

Remember that no credit score lasts forever. It changes over time, so you can improve it over time. Every time you make an on-time payment, lower a balance, or pay off debt, you add another entry to your credit report. Managing your credit well will ultimately result in a higher credit score.

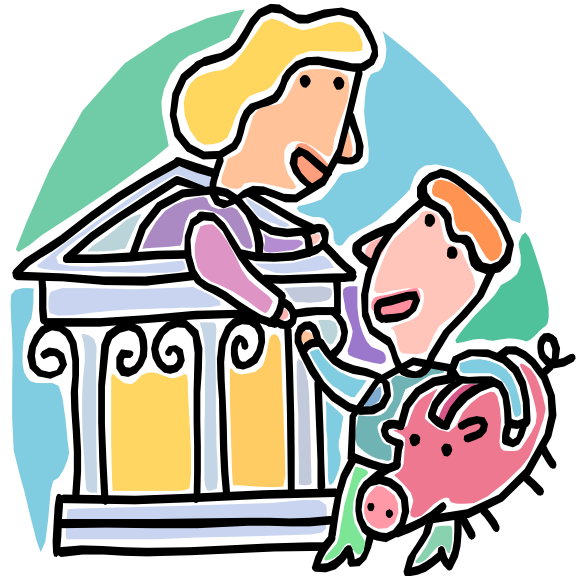
# Start a Budget

- When you create a budget you create goals.
- A budget forces you to think about money.
- Once you start thinking about money and the way you are spending it, you will find that you are able to find more ways to save.



# Start a Savings Plan

- Start saving for a down payment. You might only be able to put \$50.00 a month in a savings account but that is a start.
- A savings account will show lenders you know how to save.





# Education

- If you're thinking of purchasing a home, you should arm yourself with information. Research has shown that educated homebuyers are more likely to be successful throughout the life of their mortgages.
- There are classes for "Steps to Homeownership".

# Economic Health

- How many people live in “asset poverty?”
- These are our neighbors who don’t have enough savings or assets to meet basic needs for three months if they lose a job or primary source of income.
- People who are asset poor can’t save to buy a home, make it to college or plan for retirement. They struggle to come up with the cash to respond to even minor emergencies, such as a broken-down car, and must rely on high-cost credit, including payday loans, which can push them deeper into financial distress.
- With a more “upstream” approach we can help people build the skills and knowledge that leads out of asset poverty.

# Financial Health

- We need to recognize the financial health of our residents is key to whole-county success and start taking steps to help people climb out of debt and daily struggle into true stability and progress.
- First Federal will partner with you to offer free classes on:
  - ❖ How to save
  - ❖ Credit
  - ❖ Money Management

We'll be able to easily customize and present the curriculum, and our workshop participants will be able to easily follow along, ultimately walking away with a good understanding of how to improve their credit, manage their money and be responsible homeowners.