



HOMEBUYING READINESS

Making informed decisions about home affordability

Buying a home is a big investment. One of the first questions you may ask when starting the process is, “Can I afford a home?” There’s a lot to consider before you make the big decision, but you can use this checklist to help you decide if you’re ready to buy.

FIGURING OUT YOUR FINANCIAL READINESS

If you want to purchase a home, it helps to know if you are financially prepared. Here are some crucial things to keep in mind when determining if any areas of your financial preparation might need improvement.

Credit

Your credit score can drastically impact your loan options, so it’s important to know what your score is and what lenders are looking for before you buy. Click here to learn more about [credit basics](#).

Myth vs. fact

Myth: Lenders require a credit score of 700 or above.

Fact: You may only need a credit score of 620 for a conventional loan.

Pro tip: A credit score may not be required to make a home purchase. (Please consult with your lender for more information.)

Debt-to-income

Your debt-to-income (DTI) ratio compares how much you spend on debt each month against how much money you make monthly (your total monthly gross income). It’s important to understand and accurately calculate your DTI. Click here to learn more about your [debt-to-income ratio](#).

Myth vs. fact

Lenders are looking for your maximum DTI to be under 40%.

Fact: Qualifying buyers can have a DTI as high as 50% for a conventional loan.





Down payment and other costs

There are many upfront costs when it comes to homebuying and homeownership, like insurance, property taxes, maintenance fees, and a down payment. Get smart about [homebuying and homeownership costs](#) so you can be prepared for what comes next.

Myth vs. fact

Myth: Lenders require at least a 20% down payment.

Fact: Your down payment can be as low as 3% for a conventional loan.

Affordability

If you're looking to figure out what kind of home is in your price range, check out our [mortgage affordability calculator](#).

Pre-qualification

When you feel financially ready to begin the process, it might be time to seek out pre-qualification from a lender to get an estimate of how much you'll be able to borrow.

GO THE EXTRA MILE WITH PERSONAL PREPARATION

There are steps every prospective homebuyer can take to help prepare them for the road ahead.

- Understand the process**
No one likes surprises, especially when it comes to buying a home. Take our free online course, [Fannie Mae HomeView®](#), to learn about the steps to homeownership.
- Get organized**
Preparing the documents you'll need now can save you a lot of time later. Use our [documentation checklist](#) to make sure you didn't miss anything.





Prioritize

Decide what matters most to you while evaluating homes — location, features, size, etc.

Housing counselors can also be valuable resources when it comes to assessing your readiness and creating an action plan to make your financial goals achievable.

[Learn more about free housing counseling](#)

The process of buying a home can be complicated, but you can make it much easier with some preparation, education, and confidence.

This checklist is for educational purposes only. Be sure to communicate with your lender for specifics on the mortgage loan process.

