

Steps to Homeownership Infographic

Steps to Homeownership

FreddieMac
CreditSmart[®] Essentials

What you need to know before you buy a home.

The process of buying a home can be difficult as well as rewarding. Plan to follow these steps as you prepare to make your big move. Before you know it, you'll be a homeowner!

STEP 1: ASK YOURSELF



Ask yourself, "Am I really ready to buy?"
How will you answer these questions?

- Do I have a continuous, reliable source of income?
- Can I afford to add mortgage payments and other household expenses to my monthly budget?
- Do I have a reasonably good credit score and credit history?
- Do I have enough money saved to cover a down payment, closing costs, and moving expenses?
- Do I have time to devote to buying a home right now?
- Do I have time and money to maintain a home?

STEP 2: PREPARE YOURSELF



Education is key to a successful homebuying experience. Learn all you can!

- Consult a HUD-certified housing counselor. Look one up at <https://www.consumerfinance.gov/find-a-housing-counselor/>. If you need to work on your credit or debts, contact a nonprofit credit counselor at nfcc.org.
- Check with your local bank or another lender to see what educational resources they offer.
- Take the free CreditSmart Homebuyer U course at <https://www.freddiemac.com/creditsmart/homebuyeru>.

STEP 3: FINALIZE YOUR FINANCES



Make sure you have a clear picture of your current finances and the related costs of homebuying.

- Understand your income and debt and start saving for a down payment.
- Review your credit report and improve credit if necessary.
- Get pre-approved or pre-qualified for a home loan.
- Do your comparison mortgage shopping within a 45-day window to avoid negatively impacting your credit score. Choose a lender that offers you the best terms and rates.
- Keep your financial status as stable as possible across all the 4Cs of Lending: Capacity, Capital, Credit and Collateral.

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HUD Certified Counselor: <https://www.consumerfinance.gov/find-a-housing-counselor/>

CreditSmart Homebuyer U: <https://creditsmart.freddiemac.com/paths/homebuyer-u>



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STEP 4:

START SHOPPING AROUND



You know that this will be a major purchase and a significant commitment. Plan to put some time and effort into the search.

- Decide what type of home you want and what neighborhood you'd like to live in.
- Find a real estate agent and start shopping. A real estate professional can walk you through the entire purchase process.
- When you're ready to make a purchase offer, your real estate agent or lawyer will help you negotiate reasonable terms and price and submit the offer.
- Once your purchase offer is accepted, finalize your loan application.

STEP 5:

TAKE CARE OF DETAILS



Once you've found a home, the work is not done yet. Be prepared to:

- Make contingency plans. Contingencies are conditions put into the purchase offer, making the deal dependent on certain items such as lender financing, the home inspection and/or tests such as radon, water, and lead paint.
- Hire a certified home inspector to complete a thorough home inspection. This is not a required step, but is highly recommended.
- Purchase homeowners insurance. Homeowners insurance is required, and rates vary, so shop around.
- Consider other types of insurance coverage. Evaluate whether it's a good idea to get flood, earthquake or owner's title insurance.
- Conduct a final walk-through. Do a thorough final walk-through of the home to ensure everything is in good order.
- Plan to protect and maintain your home investment. Establish a savings fund for home maintenance expenses and consider getting a home warranty. You may also consider post-purchase housing counseling with a HUD-certified housing counselor and ongoing home ownership education.

STEP 6:

CLOSE THE DEAL



You're almost there! The final step is the loan closing. At closing, you'll sign many documents—and pick up the keys to your new home.

- Make sure you read and understand all the paperwork you'll need to sign. A mortgage is legally binding and is a major factor in your credit score.
- Pay the negotiated price to the seller. Remember that your real estate agent will take a percentage of the final price as payment for their work.
- Take possession of your new home!