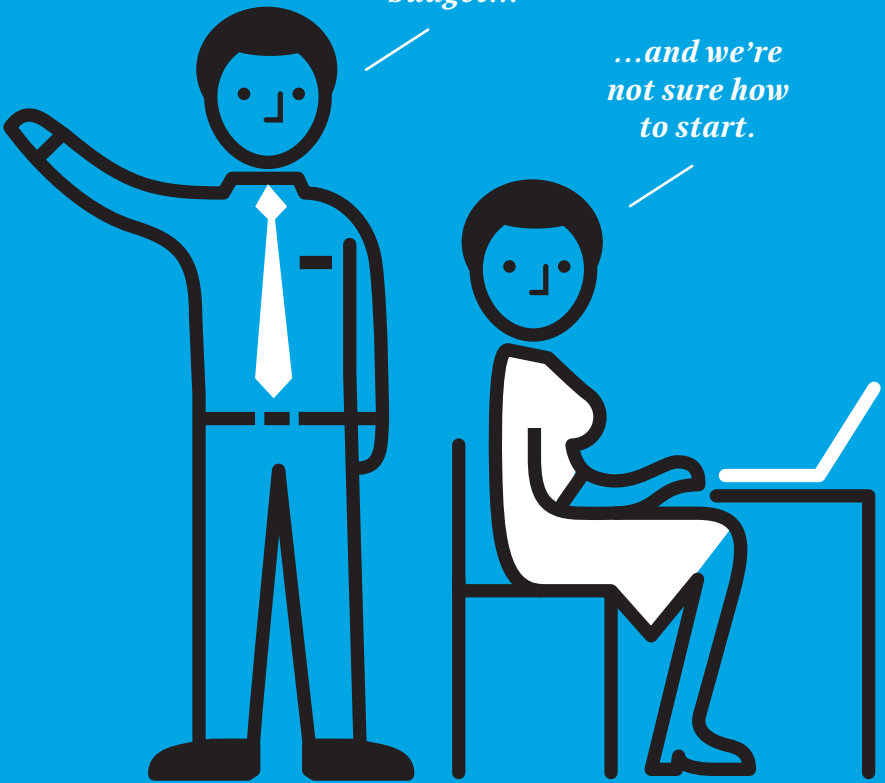


# Homebuyer Handbook

*We'd like to buy  
a home but we're  
on a limited  
budget...*

*...and we're  
not sure how  
to start.*



Fact 1:  
Two out of three  
people counseled  
by NYMC are ready  
to get a mortgage  
within  
12 months.

Fact 2:  
Homebuyers  
completing NYMC's  
pre-purchase program  
have a foreclosure  
rate of under 1%

*let's  
check it out.  
[nymc.org](http://nymc.org)*



**Buying a home may seem like a challenge, but...**

**New York  
Mortgage  
Coalition  
counselors can  
help you figure  
out if owning a  
home makes  
sense for you.**

**And this help  
is free!**

# The Homebuying Process

1

## Contact A Home- Ownership Counselor

---

Together we  
will:

Check your  
credit

Discuss your  
financial reality  
by looking at  
your credit,  
history, income  
and assets

Make your  
homebuying  
plan

Create a  
budget and  
determine  
how much  
you can afford

Develop a plan  
to fix your credit  
and/or maintain  
a strong credit  
score

2

## Start Saving

---

You'll need to  
save for your:

Downpayment

Closing costs

Emergency  
reserves

The more  
you save  
the better!

3

## Pre-Qualify

---

Work with  
a NYMC  
counselor to:

Choose a  
lender

Apply for  
mortgage  
approval

4

## Assemble Your Homebuying Team

---

Your New York  
Mortgage  
Coalition  
Homeownership  
Counselor

Lender

Real estate  
agent

Attorney

Home  
inspector

5

## Choose and Finance Your Home

---

Find the right  
neighborhood

Which home  
type? Single-  
family, co-op,  
condo, 2- to  
4-family?

Find an afford-  
able home

Find an  
affordable  
mortgage

Make an offer

6

**Inspection**

---

Contact a licensed home inspector

Have your potential home inspected

Renegotiate the price if necessary

7

**Contract**

---

Your attorney reviews the contract

Sign the contract and pay the down payment

8

**Mortgage**

---

Turn your pre-approval into an actual mortgage application, commitment letter, and a good faith estimate.

Your counselor can help you with this.

9

**Closing**

---

Close on your loan

Congratulations, you own a home!

10

**Life As A Homeowner**

---

Live within your budget

Maintain your home and make your mortgage payments your highest priority.

# **New York Mortgage Coalition's Homeownership Counseling can help you:**

**Address your  
credit issues  
and prepare  
your finances for  
homeownership**

**Guide you  
through the  
mortgage and  
homebuying  
process**

**Determine how  
much home you  
can afford**

**Access grants  
and loans for  
downpayment  
and closing  
cost assistance**

# Preparing

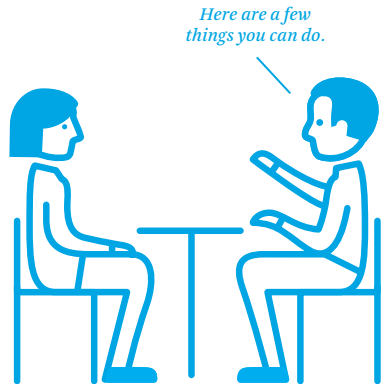
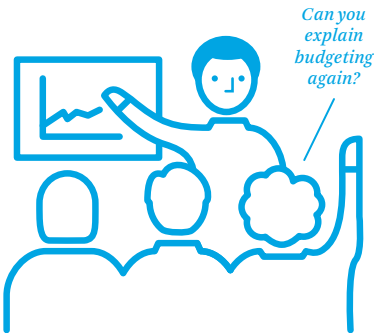
## Financial education workshops

In our comprehensive pre-purchase workshops you will learn about important topics like credit repair, savings, and budgeting—and you will gain a clear understanding of how much home you can truly afford.

## One-on-one home-ownership counseling

NYMC's experienced HUD-certified counselors help participants by:

- Analyzing personal credit and financial situations
- Counseling for debt management and savings plans
- Establishing or improving credit history
- Determining eligibility for grants or savings programs
- Assisting with mortgage application

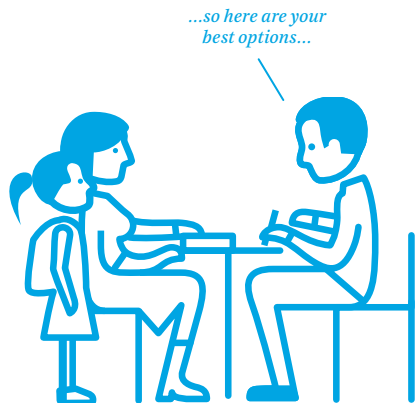
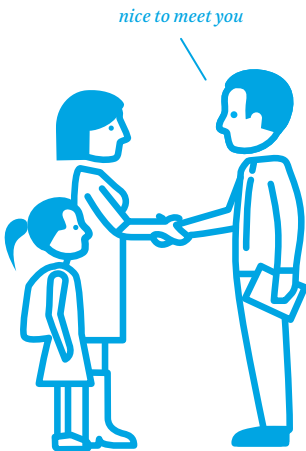


# Applying

## **NYMC loan and application assistance**

NYMC's participating lenders offer different mortgage products for low- to moderate-income borrowers. Within our range of products here are some general guidelines:

- Mortgages are fixed rate to avoid the potential risk associated with adjustable rates.
- Loans are typically 30 years, on occasion 40 years; shorter terms available based on eligibility.
- Generally, programs require a minimum credit score between 620 and 700.
- A pre-purchase homeownership counseling certificate, available through your homeownership counselor, is required to qualify for most affordable mortgages.
- Minimum down payment is most frequently 3%, often with 1% of borrower's own funds. Some have no minimum.
- Full documentation is required, including two years IRS taxes and recent pay stubs
- Your NYMC Counselor will help you navigate through this process.





# Buying

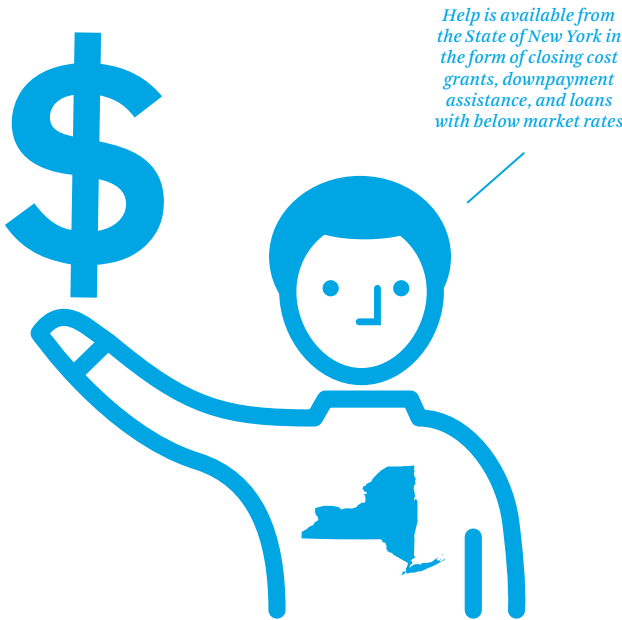
## Downpayment subsidies and closing cost grants

Grants are available from several sources to help with downpayment and closing costs (income restrictions apply), including:

**HomeFirst**, a first-time homebuyers' program through the NYC housing agency HPD (Housing Preservation and Development), provides qualified buyers with up to \$15,000 towards the down payment or closing cost on a 1- to 4-family home, condominium, or cooperative in NYC.

**First Home Club**, another first-time program, provides up to \$7,500 on a 4 to 1 match basis—\$4 in grant money for every \$1 of borrower savings. Borrowers must first establish a personal savings account with the participating lender for a minimum of 10 months and use that lender for their mortgage. The program is administered by the Federal Loan Home Bank of New York

**SONYMA**, the State of New York Mortgage Agency, offers \$15,000 or 3% of the mortgage (whichever is higher).



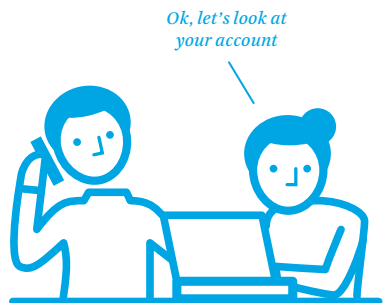
*Help is available from the State of New York in the form of closing cost grants, downpayment assistance, and loans with below market rates*

# Making it work

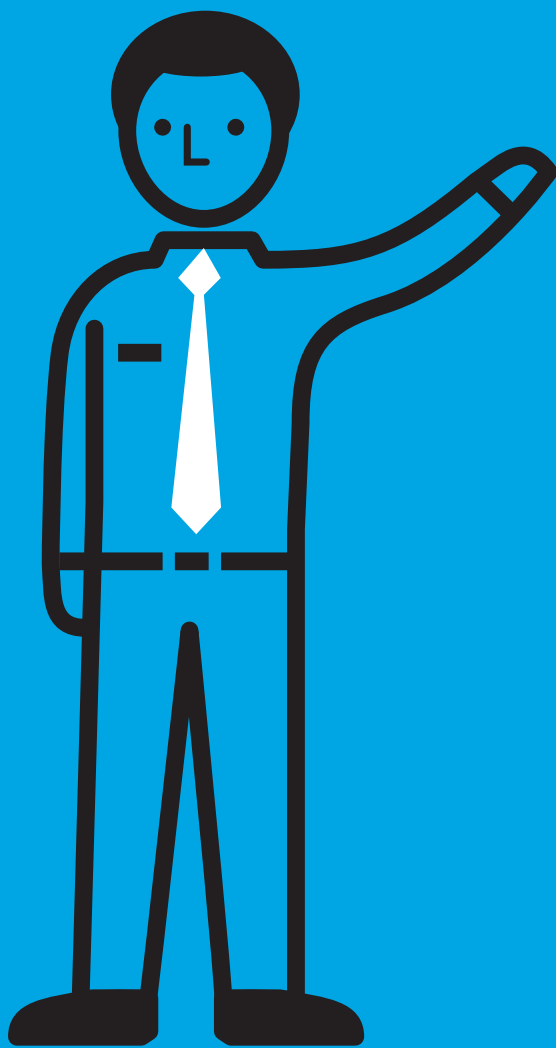
Along with the advantages of homeownership there are many responsibilities. Counseling sessions can prepare first-time homebuyers for the many facets of homeownership. The New York Mortgage Coalition also provides post-purchase counseling

Post-purchase guidance includes:

- Foreclosure prevention
- Outreach and education for those targeted by predatory lenders
- Refinancing services
- Home management
- Personal Money Management
- Energy efficiency tips to lower fuel costs and increase savings



# Here's how we get started:



# Step 1:

## Understand Credit Ratings and...

If you have ever used a credit card, or made a large purchase like a car using a loan, you probably have a credit rating. Your credit rating allows lenders to assess your payment habits.

Your credit rating is a history of:

- How much you've borrowed
- Who you borrowed from
- How well you paid back your debts
- How you are handling your ongoing debts

## Debt to Income Ratio (DTI)

Your DTI tells lenders how much you can afford to spend on your house.

To calculate your DTI:

1. Add up your monthly debt payments (how much you can spend on your house plus any other debts)
2. Divide that by your gross monthly income.
3. Multiply that by 100.

Your DTI generally needs to be under 41% to apply for a loan. If you have a high DTI, you might not be eligible for some loans. And if you have a lot of monthly debt, you won't be able to spend as much on your house payment. You may need to reduce your debt before applying for a mortgage loan.



## Step 2: Check Your Credit Score

When you apply for credit—whether for a credit card, a car loan, or a mortgage—lenders want to know what risk they'd take by loaning money to you. A credit score measures the likelihood you'll repay what you owe; it is based on information in your credit report.

There are many varieties of credit scores available to lenders. But the most widely used for large loans are FICO scores, which are based on a scoring system developed by Fair, Isaac & Co. and which are provided to lenders by the three national credit bureaus Equifax, Experian, and TransUnion.

### **You Need A Good Credit Score:**

To get approval for credit for mortgages, car loans, installment loans, and credit cards; to obtain a preferable interest rate on a loan; to obtain lower cost homeowner's and car insurance. Employers and landlords can reject applications based on credit scores. There is no quick fix for a low credit score, but here are some ways to improve your score:

*Hi. I'd like to  
apply for a  
mortgage please.*



# Step 3:

## Improve Your Credit Score

### **Order a copy of your credit report then review it and correct it.**

You are legally entitled to one free report a year. You can go to [annualcreditreport.com](http://annualcreditreport.com) and order your free credit report. When you get your report, review it and inform the credit bureau of any mistakes. Then be a bit patient. Changing a mistake on your report (like a mislabeled late payment) can take 30 days to 4 months or longer. Since corrections can make a big difference in your overall score it's important to remember that the sooner you correct your report, the faster your score will improve!

### **Pay your bills on time.**

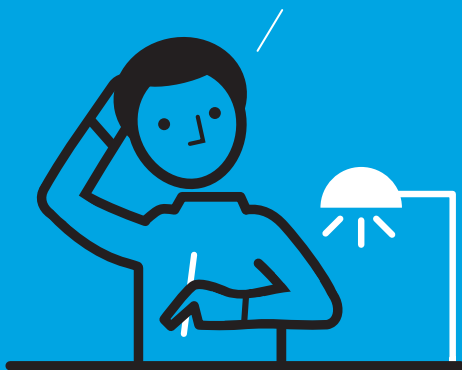
Your payment history counts for 35% of your overall credit score. Therefore paying on time is the most important thing you can do to create credit score improvements. Also a recent missed payment is more likely to lower your score than an isolated late payment from way back. SO, if you are prone to forgetting to pay your bills, use tools like autopay to pay the minimum balance on time. Scared of autopay? Then set a date every month that is credit day and really stick to paying your bills on that date.

*I'll get my free  
credit report on  
[annualcreditreport.com](http://annualcreditreport.com)*

*Oh my!...I've got a little  
work to do.*



*Time to pay the bills!  
Good Credit...  
Here I come!*



### **Don't open a lot of new accounts over a short time.**

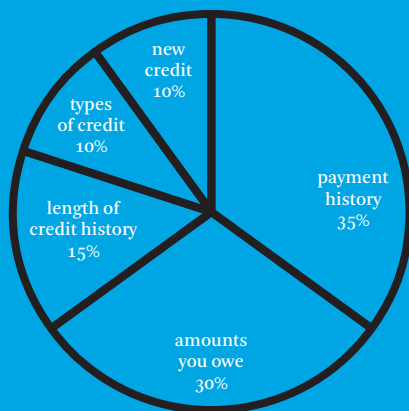
When you open new credit the banks think you're about to go on a spending binge and are therefore a higher credit risk. Avoid sending that signal. But...

### **If you have a questionable credit history, open a few new credit accounts, use them responsibly and pay them off on time.**

This feels a bit scary given that you're also being told to not open new lines, BUT payment history is 35% of your score, so if you've hurt your credit, establishing a good payment history is key to getting your credit score back together. Also remember to keep your credit balance below 25% of your credit limit per-card (see page 16).

### **Use the credit cards you have responsibly and as frequently as is prudent.**

If you don't use your cards the banks will sometimes close them or lower the limit. So it is important for them to stay active, but this is not a license to go wild. Use for small purchases and stay current on payments. Try to pay off the entire balance in full each month. Avoid carrying a balance from month-to-month.



### Don't close old accounts.

Credit history (how long you've had the card) counts for 15% of your overall score, so closing cards sets you back. Also, you should aim to keep your debt below 25% of your credit limits. If you close accounts, you give up some of your credit—which makes your existing debt a bigger proportion of your remaining credit.

For example: You owe a total of \$2,000 on four credit cards, each with a \$2,000 limit. Your total limit is \$8,000, and your balance (\$2,000) is 25%. If you transfer all your balances to two cards and cancel the other two, your total credit limit is now \$4,000 and that same \$2,000 balance is now 50% of the limit. This would lower your score.

### Pay down your credit card debt

30% of your credit score is based on outstanding debt, so paying down your balances will have a big and positive impact. Plus, lowering your overall debt greatly assists you on your path to homeownership and helps you qualify for better mortgage terms.

If you need extra help getting your debt under control, our homeownership counselors can also refer you to additional services.

*If I'm going to buy a home I'm really going to have to sort out my credit*



*Hi, New York Mortgage Coalition? I'd like to sign up for your next seminar!*





# Case Studies

Name: Amy W.  
Age: 42  
Profession: Artist/Teacher  
Status: Single  
Counseling agency: HCCI

First contact with HCCI: 1/2014  
Loan closing: 9/2014  
Credit score at beginning: 680  
Credit score at closing: 720

Lender: Citi  
Price of home: \$139,000  
Amount of loan: \$100,255  
Down payment subsidy: \$0

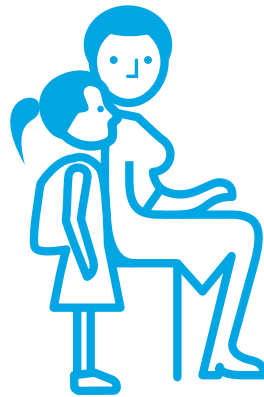
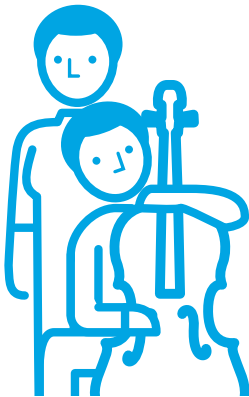
Location of new home: East 9th  
Street, East Greenwich Village  
Total counseling hours with  
HCCI: 15

Name: Charmaine M.  
Age: 45  
Profession: Executive Assistant  
Status: Single mother  
Counseling agency: Chhaya CDC

First contact with agency: 10/2014  
Loan closing: 11/2015  
Credit scores at beginning: 750  
Credit scores at closing: 799

Lender: HSBC  
Price of home: \$250,000  
Amount of loan: \$200,000  
Down payment subsidy: \$18,000

Location of new home: Jamaica, NY  
Total counseling hours with Chhaya  
CDC: 30



# FAQs

**Q: How long does the pre-purchase counseling process take?**

A: Our groups typically provide 8-hour workshops (which can be split into 1, 2, 3, or 4 sessions) of homeownership education covering the many key aspects of buying a home. Following these workshops, we offer private one-on-one counseling to address the specific financial profile of each client. The period between the first workshop to loan closing could take anywhere between one month to over a year—depending on individual circumstances.

**Q: What does NYMC's service cost?**

A: Some of our eight community groups may charge small fees to obtain your credit report (e.g. \$20) or to enroll in the introductory classes (e.g. \$50). However all groups provide one-on-one homeownership counseling free of charge. Also, clients who receive a mortgage through our program pay \$150 at loan closing, but with the affordable mortgages that we offer, the savings gained more than offset this fee.

**Q: Does NYMC offer online classes?**

A: We partner with eHome America to offer online classes. These cost \$99.

**Q: How do I qualify for closing cost assistance or down payment subsidies?**

A: Your NYMC counselor will help you maximize the amount of assistance you receive. In most cases your income cannot exceed 80% of Area Median Income (AMI), as determined by HUD and based on household income. 80% of AMI for a family of four is currently \$69,050 for the New York Metro Area, \$79,650 for Long Island, and \$71,600 for Westchester County.

**Q: How many people have you helped?**

A: Since NYMC's founding in 1993 we have provided homeownership counseling to over 55,000 low- to moderate-income individuals and families in the greater New York area and have guided nearly 11,000 clients through their first home purchase.

# Credits

The handbook prototype was created by ArtHome in collaboration with the New York Mortgage Coalition. For more information on our agencies please visit: [www.arthome.org](http://www.arthome.org)  
[www.nymc.org](http://www.nymc.org)

Additional funding provided by The National Endowment for the Arts, The New York Community Trust, and Leveraging Investments in Creativity (LINC) which receives support from the Ford Foundation.



# Participating Lenders:



Contact NYMC if you are  
interested in owning a home.

New York Mortgage Coalition  
85 Broad Street, 17th Floor  
New York, NY 10004  
(212) 742-0762  
[nymc.org](http://nymc.org)

