**ONAC Online Native Homebuyer Informational Guide 1: Family Finances**

The information and material advice offered in this session is presented solely by ONAC and provides a general outline of topics related to the home buying process. It is meant to complement – not take the place of – other more in-depth financial education programs, services, and homebuyer counseling programs including, but not limited to: ONAC Financial Coaching Services; Building Native Communities Financial Skills trainings and Investor Skills trainings; PathWays Together; HUD Certified Homebuyer Counselors (offered in conjunction with a Tribal Housing Authority, or TDHE, or other HUD Approved Housing Counseling Agency); or other HUD approved homebuyer counseling programs, such as NeighborWorks and Fannie Mae.

ONAC appreciates and gratefully acknowledges related online information offered publicly by HUD, HUD ONAP, NAHASDA, NeighborWorks, Fannie Mae, and CFPB, etc. Online available homebuyer program guidance from various public and private organizations served as sources of information for this guide and is cited in the three guides when used.

**First Step: Carefully Evaluate Your Family Finances before Buying a Home**

Knowing how to determine when you and your family are financially and otherwise ready to buy and maintain a home is generally acknowledged in the home buying sector to be of equal importance to having steady employment, adequate income and savings, and positive handling of credit, and is a key factor for achieving sustainable homeownership. Engaging regularly in budgeting and financial management is essential preparation for making that determination.

What factors determine if you are financially ready to own a home? A lender will automatically calculate your “front-end ratio,” also called your “mortgage to income ratio,” to see what type of mortgage payment your income will support. They will also review your “back-end ratio,” also called your “debt to income ratio,” to see the percentage of your current income that goes towards paying your debts. Most types of home mortgage loans have required percentages for those ratios that you must meet to qualify for a mortgage loan of a specific amount. Examples of helpful online tools: [How Much House Can I Afford? | Bankrate | New House Calculator](https://www.bankrate.com/real-estate/new-house-calculator/) , and [Understand loan options | Consumer Financial Protection Bureau (consumerfinance.gov)](https://www.consumerfinance.gov/owning-a-home/loan-options/#loan-term-calculator). Research all the factors that apply to being ready to proceed to and through the home buying and loan closing process. If we assume that you (as a home buyer) have had a reliable source, or sources, of income for more than one year, this guide focusses on three additional factors you need to be aware of:

1. You currently budget and know your financial status (family income, expenses and savings) and have saved/secured additional funds to use for home purchase and loan closing expenses.
2. You currently have a positive credit report and credit score of 680 or better, and you have created and follow a credit management plan for you and your family.
3. You have or are participating in a HUD qualified home-buying program, or have received an adequate program of industry-approved homebuyer counseling.

The following online sites may be helpful: [Are\_You\_Ready\_For\_Homeownership\_184 Loan.pdf](file:///D:\Financial%20Coaching\Z_184_Loan%20Information\Are_You_Ready_For_Homeownership_184%20Loan.pdf) and [Am I Ready To Become A Homeowner? | HOME, Inc. (homeincdsm.org)](https://www.homeincdsm.org/homeownership/amiready/) because they include information about these and other important factors related to home buyer readiness.

**Budgeting and Saving**

If you started working with a homebuyer counselor at the beginning of your homeownership quest, you have likely created and are following a budget. A budget is your greatest tool and ally for achieving and maintaining your homeownership goal. All personal financial success basically comes down to a good understanding of how to balance the money coming into a household with the money going out of a household on a regular basis. A budget gives you knowledge and the power to 1) determine if you and your family have adequate income to meet expenses each month in a way that leaves you with surplus income for saving, and 2) establish one or more savings accounts, with regular deposits, for at least the two purposes of covering any emergencies that might negatively impact your financial situation and buying and maintaining a home for the long term.

Every prospective home buyer has to face a number of standard related requirements such as: finding available land and/or available affordable properties in the area they want to live in; researching and choosing the type of loan that is right or them; finding a financial entity to secure the loan from and meet loan requirements (meeting required measures of credit worthiness, paying costs at closing); and everyone should learn to recognize and avoid predatory loan schemes. There are also actions that all home buyers can take during the home buying process to better ensure a successful effort, such as: working with a home buyer counselor; getting pre-approved for a home loan on a specific property; making loan offer comparisons; checking out the legality and/or legitimacy of any loan offers received; and hiring qualified realtors and home inspectors. This process can be navigated most efficiently and effectively if you have a knowledgeable home buyer counselor as a resource and guide.

Several tools, including a guide to budgeting principles and some auto-calculating templates for creating and maintaining a budget (most people update their budgets on a regular basis) can be found online from a variety of sources. The Federal Consumer Financial Protection Bureau offers one at: [Budgeting: How to create a budget and stick with it | Consumer Financial Protection Bureau (consumerfinance.gov)](https://www.consumerfinance.gov/about-us/blog/budgeting-how-to-create-a-budget-and-stick-with-it/?_gl=1*m5fyk*_ga*MTYxODI0OTYxNy4xNjQyNzA0OTk5*_ga_DBYJL30CHS*MTY0NTQxMDgxMS41LjEuMTY0NTQxMDg3MS4w).

Some additional online information to assist you (and possibly your counselor) to develop a better understanding of the requirements associated with home buying procedures and processes are:

* The online lending platform for Bankrate: [www.bankrate.com](http://www.bankrate.com), has a good amount of general financial information for prospective home buyers, and also homeowners who may want to refinance. Prospective home buyers can choose the “Home purchase” tab.
* Or go directly to Bankrate’s [Amortization Schedule Calculator | Bankrate](https://www.bankrate.com/calculators/mortgages/amortization-calculator.aspx) to find a tool that allows you to obtain a good estimate of what your home loan payment might be for a specific property that is of interest to you.
* Go to **Nerdwallet.com** and use a guide that can help you to determine **housing affordability for your financial situation**: [How Much House Can I Afford? | NerdWallet | Affordability Calculator](https://www.nerdwallet.com/mortgages/how-much-house-can-i-afford?)
* Want to see how much you would have to pay regularly, and how long it would take, to pay off any large credit card debt? Go to <https://www.bankrate.com/calculators/credit-cards/credit-card-payoff-calculator.aspx>.
* Additional helpful information related to homeownership, paying off credit card debt, and raising credit scores can be found at: [Home Economics Final.indd (hud.gov)](https://www.hud.gov/sites/documents/HOMEECONOMICS-EN.PDF)

**Credit Management**

Everyone should check their credit reports regularly – every three months would be good, but at least once a year, along with reviewing their credit scores from the three major credit reporting agencies. It is important to do so for several reasons including early awareness of credit reporting mistakes, scams, and identity theft, which can severely damage your credit standing. A credit report and a credit score are two different things, although they are tied together in an important way. The reported items in your credit report also have an impact on your credit score: each show lenders a piece of your credit picture. A free credit report is available annually at [Annual Credit Report.com - Home Page](https://www.annualcreditreport.com/index.action), but not a free credit score. You may be charged on certain online sites to obtain your credit score, but you can also get a free score at some online sites. Related online sites include: [Free Experian Credit Report and FICO® Score](https://www.experian.com/lpt/credit-score-tmpl.html?conf=frsc_a&bcd=ad_c_sem_427_74217249496388&k_id=_k_e4f9d161887d10e670d8b0531e6c816c_k_&k_kw=74217197896255&k_mt=e&pc=sem_exp_bing&cc=sem_exp_bing_ad_361107317_1187473417018014_74217249496388_74217197896255_e__k_e4f9d161887d10e670d8b0531e6c816c_k_&ref=boostnonbrand&awsearchcpc=1&msclkid=e4f9d161887d10e670d8b0531e6c816c) | [Free TransUnion Annual Credit Report](https://www.transunion.com/annual-credit-report) | [Free Equifax Credit Report®](https://www.equifax.com/personal/credit-report-services/free-credit-reports/)

* In response to the COVID-19 health crisis, all three credit reporting agencies are offering one free **weekly** credit report online through December 31, 2022. See [AnnualCreditReport.com](http://www.annualcreditreport.com/).

There are online sites that offer free access to your credit score while providing some good information explaining credit scores and their importance, such as [Free Credit Score - Learn About Your Score (nerdwallet.com)](https://www.nerdwallet.com/l/free-credit-score). You will find additional online sites that offer free credit scores – but beware: many online sites will try to get you to sign up, and charge you for, a number of credit reviewing services. You can also estimate you credit score for free online with the **Fico Score Estimator tool:** <https://www.myfico.com/fico-credit-score-estimator/estimator>. Additionally, there is Credit Karma, [Get your free score and more - Credit Karma](https://www.creditkarma.com/), although Credit Karma uses the VantageScore which is calculated differently than FICO. You will also be offered many “for a cost” products and services that you may choose NOT to take. It pays to be careful about unintentionally sign up for fee-based services.

**Native Specific Financial Education and Counseling**

***Building Native Communities*** is a Native specific financial education and counseling course that covers budgeting, credit building and management, and home buying and ownership using a Native perspective.

**Finding and Utilizing Qualified Professional Home Buyer Counseling Assistance**

**Homebuyer counseling** by a qualified professional can save you time and money, and is invaluable for prospective borrowers who are navigating the processes outlined in these three homebuyer informational guides. Qualified and certified homebuyer counselors, credit counselors, and financial educators navigate home-buying clients through financial topics such as: **1) budgeting and financial planning; 2) planning for homeownership; 3) choosing, accessing, and utilizing financial services; 4) credit building and credit repair strategies; 5) local housing market trends; 6) local realty and lender servicing options; 7) various loan options, along with related down payment, closing, and other requirements (including the benefits and limitations of each type of loan); 8) requirements and qualifications for many tribal, local, and national down-payment assistance programs; 9) the benefits, drawbacks, and requirements to declaring different types of bankruptcy; 10) eviction processes and avoidance; 11) default and foreclosure avoidance, and many other homeownership-related topics.**

Most of the time, homebuyer counseling is offered free of charge. Also, all the government and professional organizations offering any of the counseling referenced in these three guides, must maintain the confidentiality of the client and client information. HUD agencies, by government mandate, must exhibit to a public authority that they keep (hold) all client information, including credit reports, in a secure way.

**HUD** sponsors certified housing counseling agencies and counselors (including Native-focused agencies and counselors) throughout the country. Go online to [housing counseling agency](https://apps.hud.gov/offices/hsg/sfh/hcc/hcs.cfm) to find an interactive map of the country that lists the HUD counseling agencies near you, or call HUD at: (800) 569-4287.You can use the map to choose your state and see the many and various financial-related workshops and course topics each agency offers.Although proof of completion of an approved homebuyer counseling course is not required to receive Section 184 loans, it is required for qualifying for other loan types that Native homebuyers choose, including most government secured loans (FHA, VA, USDA, etc.).

You may receive certified homebuyer counseling online through a **NeighborWorks** online course, although there is typically a $99 fee for the course (some agency online sites give discounts to make the fee as low $25). You can search on the web for “NeighborWorks Online Homebuyer Education Course” and choose any NeighborWorks agency anywhere in the country to sign up for the course. NeighborWorks also offers general information on homeownership online at [Homeownership - NeighborWorks America](https://www.neighborworks.org/Homes-Finances/Homeownership), or phone: (202) 760-4000.

**Fannie Mae** has an online counseling course that, when completed and given a score of 80% or higher, qualifies the homebuyer to receive a certificate of completion to share with their lender to meet a financial education requirement for most mortgage products, including low-down-payment loans, go to [HomeView Homeownership Education Course | Fannie Mae](https://www.fanniemae.com/education) to sign up for and complete the course.

You can also call a **local TDHE (tribal housing authority)** and ask about financial and homebuyer counseling: search online regionally for a TDHE contact at: [National Directory of Tribes and TDHEs by ONAP Regions | HUD.gov / U.S. Department of Housing and Urban Development (HUD)](https://www.hud.gov/program_offices/public_indian_housing/ih/codetalk/onap/map/nationalmap), or phone: 202-708-1112.It is quicker and more efficient to use the online contact links and services, but if you don’t have adequate broadband to do so, use the phone numbers provided here to make contacts.

**If you are currently facing foreclosure and want the immediate assistance of a housing counselor, search HUD’s list of**[**Foreclosure Avoidance Counselors**](https://apps.hud.gov/offices/hsg/sfh/hcc/fc/)**or visit the Making Home Affordable program**[**Q for Borrowers**](http://search.usa.gov/search?affiliate=housingandurbandevelopment&query=making+home+affordable+2013)**.** The other agencies and services mentioned above also offer related courses, and you can check out their offerings online. Foreclosure prevention and homeless counseling services are available free of charge through HUD's Housing Counseling Program. However, housing counseling agencies are permitted to charge local-level customary fees for some forms of housing counseling and education services, including pre-purchase, reverse mortgage, rental, and non-delinquency post-purchase counseling services, **only** provided that the following conditions are met:

* Agencies must **provide all counseling without charge to persons who demonstrate they cannot afford the fees;**
* If any charges apply to any more specific counseling provided, agencies **must inform clients of any fee structure in advance of providing services;**
* When agencies charge for any services, **fees must be commensurate with the level of service provided.**

If you have addressed the focused areas included in this guide to your satisfaction, and have determined that you, and your family, are financially able and ready to purchase a home, please move on to Guide 2, where you will dive deeper into the home purchasing process.