

# WELCOME TO HOMEBUYING BOOTCAMP

**Day 1: Preparing for Homeownership**

Presented by Dave Sullivan

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## DAVE & CIARA

People Driven CU Marketing Team

### ABOUT DAVE:

- VP of Marketing
- Born and raised in Michigan
- Graduated from Western Michigan University
- Bachelor's Degree in Finance
- Launched AIR Credit out of his car in 1998
- Wrote a book to help people improve their credit
- Launched Credit Guy TV in 2010
- Licensed Realtor

### ABOUT CIARA:

- Innovation & Brand Experience Lead
- Born and raised in Michigan
- Graduated from University of Michigan
- Bachelor's Degree in Business and Communications
- Owner of Ciara Colón Solutions
- Part time Content Creator for brands
- Licensed Realtor





# TODAY'S AGENDA

- Why Homeownership Matters
- Understanding Credit
- Budgeting for Homeownership
- Mortgage Pre-Approval Process
- Utilizing GreenPath's Resources



# HOME BUYING PROCESS



**3/5**

**Preparing to Buy**

Understanding Credit, Budgeting, and Mortgage Pre-Approval

**3/12**

**House Hunting like a Pro**

Finding the Right Home and Making an Offer

**3/19**

**The Mortgage Process Uncovered**

Loan Options, Interest Rates, and Closing Costs

**3/26**

**The Home Inspection & Appraisal**

Ensuring Your Investment is Sound

**4/2**

**Closing Day & Beyond**

Final Steps, Moving In, and Maintaining Your Home



# WHY DOES HOMEOWNERSHIP MATTER?

- Builds equity and long-term wealth
- Provides stability and security
- Offers tax benefits and potential appreciation
- Allows personalization and control over living space





# UNDERSTANDING CREDIT AND HOW IT AFFECTS YOUR BUYING POWER

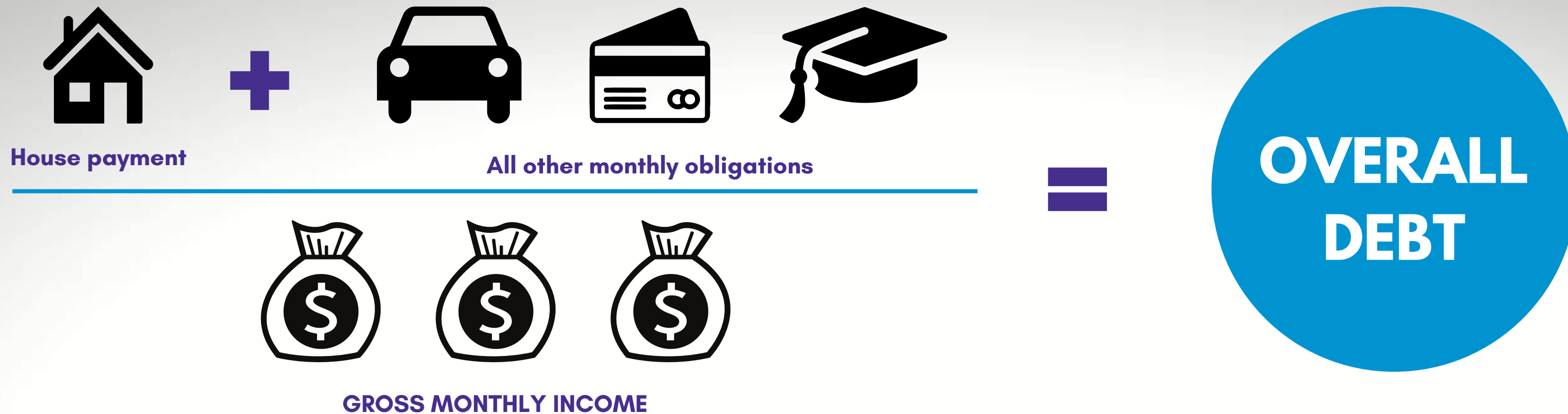
**Higher credit scores = less risk = better loan terms!**

- Credit impacts mortgage approval and interest rates
- Lenders look at credit score, debt-to-income ratio (DTI), and payment history





# CALCULATING DEBT TO INCOME RATIO





# UNDERSTANDING YOUR CREDIT SCORE

## Score Ranges:

- **300-579: Poor**
- **580-669: Fair**
- **670-739: Good**
- **740-799: Very Good**
- **800-850: Excellent**

## What makes up your score?

- Payment History (35%)
- Credit Utilization (30%)
- Length of Credit History (15%)
- New Credit (10%)
- Credit Mix (10%)





# BUDGETING FOR HOMEOWNERSHIP



## Understanding your income vs. expenses:

Track your income sources and categorize expenses (fixed vs. variable). Use budgeting tools or spreadsheets to monitor spending patterns and identify areas for savings.



## Calculating how much house you can afford:

- The 28/36 rule: Spend no more than 28% of your gross monthly income on housing expenses and 36% on total debt payments (including mortgage, credit cards, and loans).
- Another quick formula is multiplying your annual income by 3 to 5 times to estimate a reasonable home price range.



## Creating a savings plan for down payment & closing costs:

Open a dedicated savings account to keep funds separate and track progress. Automate monthly transfers to this account to build savings consistently. Reduce discretionary spending, pay down existing debt, and explore down payment assistance programs to accelerate savings.





# COST OF HOMEOWNERSHIP

## Upfront Costs:

- Down payment (3-20%)
- Closing costs (2-5%)

## Ongoing Costs:

- Mortgage payments (principal + interest)
- Property taxes & homeowners insurance
- Maintenance & utilities



# EXAMPLE SCENARIO:

3 BED, 2 BATH

**PRICE : \$200,000**

- Down Payment (10%) = ~\$20,000  
(different programs can lower this)
- Closing Costs (4%) = ~\$8,000
- Total Upfront Costs = ~\$28,000
- Monthly Mortgage Payment  
(~7% interest, 30-year loan) = ~\$1,330
- Property Taxes (~1.25%) = ~\$208
- Homeowners Insurance = ~\$100
- Maintenance & Utilities Estimate = ~\$300

**Total monthly payment: ~\$1,938**



This hypothetical, simplified example is for informational purposes only and is not to be taken as legitimate fact. Actual costs vary based on loan terms, location, and additional factors. Please contact a lawyer or other legal professional regarding your specific needs before taking any action based upon this webinar.



# SAVING FOR A DOWN PAYMENT

- Set up a **dedicated savings account** to track progress
- Cut **unnecessary expenses** like dining out and subscriptions
- Automate **monthly transfers** to savings for consistency
- Explore **down payment assistance** programs and grants
- Consider side gigs or **additional income sources** to boost savings
- Use **windfalls** like tax refunds and bonuses to add to your fund
- Research **high-yield savings accounts** or investment options to grow savings faster



← [Our High-Yield Options](#)





# MORTGAGE PRE-APPROVAL PROCESS

## What is pre-approval?

- A lender reviews your financial information (credit score, income, debt, assets) to determine how much they are willing to lend
- Pre-approval provides a conditional commitment for a mortgage amount

## Why it matters:

- Strengthens your offer when making an offer on a home
- Helps you understand your price range and budget more accurately
- Shows sellers you are a serious buyer, giving you a competitive edge
- Prevents surprises by identifying potential financial obstacles early







# STEPS TO GET PRE-APPROVED

- **Check and improve your credit score:** Review your credit report for errors, pay down existing debt, and avoid opening new credit accounts before applying
- **Gather necessary documents:** Collect W-2s, tax returns, bank statements, pay stubs, proof of employment, and identification to streamline the application process
- **Compare lenders & mortgage rates:** Research different lenders to find the best loan terms, interest rates, and fees
- **Submit a mortgage application:** Provide financial documentation, authorize a credit check, and complete the application process with the chosen lender
- **Receive a pre-approval letter:** If approved, you'll receive a letter stating the loan amount you qualify for, which strengthens your home offer



## Pre-Approval Checklist

When you make an offer on a home, you may need to include a pre-approval letter from a mortgage lender to show the seller you are a legitimate buyer with financing.

Use this checklist to gather all documents below for each borrower to avoid any delays in the process. (Not all documents will be required for every borrower or loan type)



### Employment / Income

- Provide consecutive pay stubs for the most recent 30 days
- Provide W-2s for the past two years
- Federal Tax returns – all pages for the past two years  
If self-employed, provide all pages and schedules of last two years' business tax returns
- If self-employed, provide current Balance Sheet and Profit & Loss Statement  
If retired, provide the last two years' 1099s
- If you receive Social Security, provide your award letter
- If you receive rental income, provide a copy of the current lease
- If a veteran or active duty, provide a copy of the Statement of Service Letter
- 

### Assets

- Provide two months' statements for all accounts: checking, savings, stocks, IRA & 401K
- If closing funds will come from a gift, provide a gift letter and proof of funds

### Credit

- The lender will obtain a copy of your credit report. Prior to applying, confirm accuracy at: [annualcreditreport.com](http://annualcreditreport.com).
- Copy of driver's license and social security cards
- Letter explaining any late payments, collections, or derogatory credit  
Bankruptcy discharge paperwork
- If renting, lease agreement and payment history
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877-337-3399

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# DOWNLOAD THIS PRE-APPROVAL CHECKLIST

Our partner, **GreenPath Financial Wellness**, has provided us with this Pre-Approval checklist to pass on to you.



**SCAN TO OPEN AND SAVE**





# TYPES OF MORTGAGES

## Common Mortgage Types:

- **Conventional Loans:** Require higher credit scores but offer competitive rates and flexible terms
- **FHA Loans:** Low down payment (as little as 3.5%) and flexible credit requirements, ideal for first-time buyers
- **VA Loans:** Exclusively for veterans and active military members, no down payment required
- **USDA Loans:** Designed for rural homebuyers, offering no down payment but with location and income eligibility requirements

## Common Mortgage Types:

- **Fixed-Rate Mortgage:** Interest rate remains constant throughout the loan term, providing stable payments
- **Adjustable-Rate Mortgage (ARM):** Interest rate fluctuates after an initial fixed period, potentially leading to lower initial payments but higher long-term risk

**We will dive deeper into mortgages in the next class!**





# COMMON HOME BUYING MISTAKES

- **Not checking credit score early.** Your credit score impacts loan approval and interest rates, so reviewing it early gives time to improve it if necessary.
- **Not saving enough for upfront costs.** Beyond the down payment, factor in closing costs, moving expenses, and an emergency fund for unexpected repairs.
- **Making large purchases before closing.** Big expenses like new furniture or a car can impact your debt-to-income ratio and jeopardize loan approval.
- **Ignoring hidden costs.** Property taxes, homeowner's insurance, maintenance, and HOA fees can add significantly to monthly housing costs.
- **Skipping the home inspection.** This step helps uncover potential issues that could lead to costly repairs later, ensuring you make an informed decision. We'll discuss this in class #4.





A close-up photograph of a woman with a joyful expression, wearing a dark blazer over a white collared shirt. She is holding a set of silver keys in her right hand, with the keys prominently displayed in the foreground. The background is softly blurred, showing what appears to be an office or professional setting.

# RESOURCES FOR FIRST-TIME BUYERS

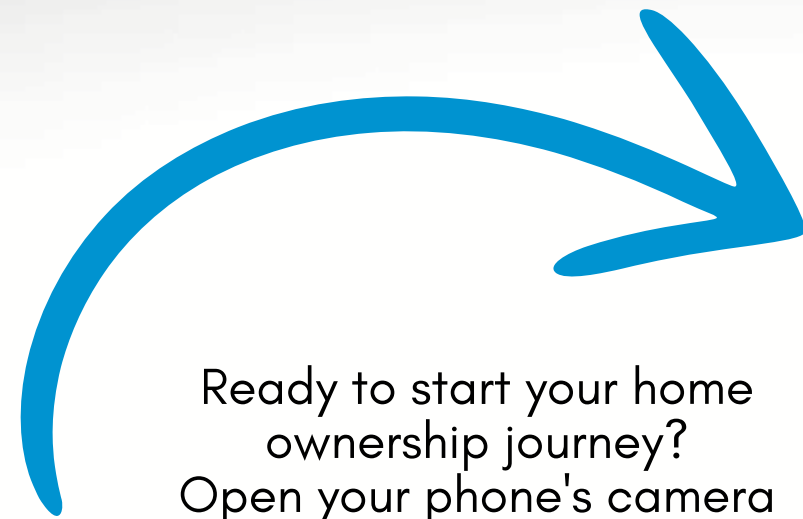
- **Credit counseling services**, including our partnership with **GreenPath Financial Wellness**, which offers complimentary, personalized guidance on improving credit, reducing debt, and budgeting for homeownership to our members.
- **First-time homebuyer programs** that provide financial assistance and education.
- **Down payment assistance** options to help reduce upfront costs.
- **Local lenders & real estate agents** who specialize in first-time buyers and can guide you through the process.





# QUESTIONS?

Type them in the chat and we will answer them!



Ready to start your home ownership journey?  
Open your phone's camera and scan here!



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