

## Homebuyer Education Cheat Sheet

### Are You Ready to Buy?

- ➡ Do you have a steady income?
- ➡ Is your credit in good standing?
- ➡ Can you afford monthly mortgage payments and additional costs?
- ➡ Do you have money saved for the down payment and closing costs?
- ➡ Are you planning to stay in the area for two to three years?

### Renting vs. Buying

|         | Advantages  | Disadvantages  |
|---------|---|--|
| Buying  | <ul style="list-style-type: none"> <li>• Build equity over time</li> <li>• Tax-deductible mortgage interest</li> <li>• Long-term investment</li> <li>• Ownership and stability</li> </ul> | <ul style="list-style-type: none"> <li>• Higher utility bills</li> <li>• Property taxes and maintenance</li> <li>• Less flexibility to move</li> </ul> |
| Renting | <ul style="list-style-type: none"> <li>• No maintenance responsibilities</li> <li>• Easier to move</li> <li>• Often lower utility costs</li> </ul>  | <ul style="list-style-type: none"> <li>• No equity building</li> <li>• Rent may increase</li> <li>• Lease renewal is not guaranteed</li> </ul>         |

### The 4 Cs of Lending

|  |  |
|--|--|
| <b>Capacity – Can you repay the mortgage?</b> <ul style="list-style-type: none"> <li>• Employment length, income and expenses</li> <li>• Debt-to-Income (DTI) Guidelines:</li> <li>• Front-end (PITI) ≤ 28% of gross income</li> <li>• Back-end (PITI + long-term debt) ≤ 36%</li> </ul> | <b>Credit History – Do you repay debts on time?</b> <ul style="list-style-type: none"> <li>• Low credit utilization</li> <li>• On-time payments</li> <li>• Low debt load</li> </ul>        |
| <b>Capital – Do you have money for the:</b> <ul style="list-style-type: none"> <li>• Down payment (typically 3–20%)</li> <li>• Closing costs</li> <li>• Reserves for emergencies</li> </ul>  | <b>Collateral – Is the property worth the loan amount?</b> <ul style="list-style-type: none"> <li>• Low credit utilization</li> <li>• On-time payments</li> <li>• Low debt load</li> </ul> |

## Mortgage Affordability

- **Pre-Qualification:** Estimate based on verbal financials.
- **Pre-Approval:** Based on documented income, assets, and credit.
- **Remember:** What you qualify for does not equal what you can afford.

## Mortgage Options

| Fixed-Rate Mortgage  | Adjustable-Rate Mortgage (ARM)   | Mortgage Terms Snapshot   |
|--|--|---|
| <ul style="list-style-type: none"> <li>• Interest rate never changes</li> <li>• Predictable payments</li> <li>• Build equity slowly</li> </ul> | <ul style="list-style-type: none"> <li>• Lower intro rate</li> <li>• Adjusts over time</li> <li>• Potentially higher payments in the future</li> </ul> | <ul style="list-style-type: none"> <li>• <b>15-Year Mortgage:</b> Lower interest, faster equity, higher monthly payments</li> <li>• <b>30-Year Mortgage:</b> Lower payments, more interest over time</li> </ul> |

## Fair Housing Act Protections

### Prohibits housing discrimination based on:

- Race, color, religion, sex
- National origin
- Family status
- Disability

## Have questions or need help?

### Darlene Leaks

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### Contact a HUD-approved housing counseling agency:

- (800) 569-4287
- hud.gov