# Getting Your Financial House in Order

Assess your finances before you start house hunting

## How Much Home Can You Afford?

Before browsing listings, you need a clear picture of your budget. Use the worksheet below to estimate how much you can comfortably spend on housing each month.

| **Section 1: Monthly Income** | |
|---|---|
| Total wages / salary / business income | $___________ |
| Investment income (dividends, rental, etc.) | +$___________ |
| Other income (pension, Social Security, etc.) | +$___________ |
| **Total Monthly Income** | $___________ |

| **Section 2: Monthly Non-Housing Expenses** | |
|---|---|
| Car payment(s) | +$___________ |
| Insurance (auto, health, life) | +$___________ |
| Cell phone | +$___________ |
| Credit card minimum payments | +$___________ |
| Childcare / dependent care | +$___________ |
| Student / personal loans | +$___________ |
| Groceries, gas, internet | +$___________ |
| Subscriptions & discretionary | –$___________ |
| | $___________ |

| **Section 3: Available Monthly Housing Budget** | |
|---|---|
| Total Monthly Income | –$___________ |
| Total Monthly Non-Housing Expenses | –$___________ |
| **Available Monthly Housing Budget** | $___________ |

| **Section 4: Estimated Monthly Housing Costs** | |
|---|---|
| Mortgage payment (principal + interest) | +$___________ |
| Property taxes (avg. 0.5–0.6% of value/yr in CO) | +$___________ |
| Homeowners insurance | +$___________ |
| HOA dues (if applicable) | +$___________ |
| Utilities (electric, gas, water, trash) | +$___________ |
| Maintenance reserve (~1% of price per year) | +$___________ |
| | $___________ |

*If Section 4 exceeds Section 3, revisit your budget — consider a lower purchase price, larger down payment, or trimming discretionary expenses.*

## Down Payment Basics

A down payment is the upfront cash you contribute toward the purchase price. In Colorado, typical first-time buyer down payments range from 3%–7%, though 20% eliminates private mortgage insurance (PMI).

| Loan Type | Min. Down Payment | Notes |
|---|---|---|
| FHA | 3.5% | Credit score 580+; 10% if score 500–579 |
| Conventional 97 | 3% | Fannie Mae; PMI required until 20% equity |
| HomeReady / Home Possible | 3% | Income limits apply; education required |
| VA | 0% | Eligible military/veterans only; no PMI |
| USDA | 0% | Rural/eligible areas; income limits apply |
| Conventional | 5–20% | No PMI at 20%; flexible terms |

*Colorado also has state and local down payment assistance programs through CHFA (Colorado Housing and Finance Authority) that can provide grants or low-interest second loans. Ask your real estate agent for current programs.*

## Calculating Your Debt-to-Income (DTI) Ratio

Your DTI ratio measures how much of your gross monthly income goes toward debt payments. Lenders use this to gauge risk.

**DTI = Total Monthly Debt Payments ÷ Gross Monthly Income**

A DTI of 36% or below is considered strong. Most lenders cap at 43–45% (including the projected mortgage payment). FHA loans may allow up to 50% with compensating factors.

### Example:

Monthly debts: $600 car + $200 student loan = $800. Gross income: $5,000/mo. Potential mortgage: $1,200/mo. DTI = ($800 + $1,200) ÷ $5,000 = 40%. Workable, but reducing other debts first would help.

## Your Credit Score & Report

Your credit score is one of the biggest factors in what interest rate and loan you qualify for. Colorado lenders generally look for:

| FICO Score | Mortgage Impact |
|---|---|
| 760+ | Best rates available |
| 700–759 | Very good rates |
| 660–699 | Good rates; some restrictions |
| 620–659 | Higher rates; limited options |
| 580–619 | FHA possible with 10% down |
| Below 580 | Very limited; work on credit first |

**Tips to Protect Your Score During the Homebuying Process:**

- Do NOT open new credit accounts or take on new debt before closing.
- Make all payments on time — even one late payment can drop your score significantly.
- Pay down credit card balances, but don't close paid-off accounts.
- You can get preapproved by multiple lenders within a 45-day window; FICO treats it as a single inquiry.

> *You're entitled to free credit reports from Experian, Equifax, and TransUnion once per year at annualcreditreport.com (a government-authorized service). Review all three for errors before applying for a mortgage.*