

## Home Buying 101: Six Starter Steps to Smooth the Path to Homeownership

Turning the American dream into reality hinges on a solid strategy and a proactive approach. By taking a few simple steps up front, you can help boost your buying power and ensure that your experience is positive and successful. To help you get started, here are six time-tested tactics that have effectively turned countless hopefuls into homeowners.

1. *Abide by a budget.* By simply planning your expenses to match your current income, you can take control of your money and keep it in check. Create a budget that earmarks your spending over the next six months to one year, and be sure to set aside emergency funds. Smart budgeting can go a long way in helping you strengthen your home loan application and achieve your financial goals.
2. *Start saving.* It's important to pay yourself first through a sound savings plan. An easy way to get started: have a portion of your paycheck automatically deposited into a savings account. Then, identify ways to maximize your savings, whether it's clipping coupons, cutting back on eating out, or filling up that piggy bank.
3. *Clean up credit.* A solid credit history is critical when it comes to securing a home loan. Manage your credit by paying down high interest credit card debts and making payments on time. Most reputable lenders prefer that long-term debt does not exceed 32 to 38 percent of a potential buyer's monthly gross income; however increased flexibility in underwriting guidelines may allow a ratio over 40 percent. For the 12 months prior to applying for a loan, be sure that none of your bills are past due, and remember to check your credit report and clear up any errors that appear.
4. *Ask for approval.* A pre-approval is a preliminary commitment from a lender to loan a buyer a predetermined amount. Lenders base this pre-approval on indicators like debt-to-income ratio, credit history, savings, and downpayment. Obtain a written pre-approval from a reputable mortgage lender before you start house hunting, so you know in advance how much home you can afford and can gain clout for negotiating a sale price. Pre-approvals also can speed up the loan process after a purchase contract is signed and help avoid any last-minute deal breakers.
5. *Identify the downpayment.* While 20 percent down used to be the mortgage prerequisite, today's home loans often only require three or five percent of the home's selling price—and some innovative loans offer as little as zero down. Explore the wide range of affordable downpayment alternatives when you begin shopping for a loan.
6. *Pick a pro.* Once you know how much home you can afford, enlist the help of a real estate professional to start shopping for your dream property. Search for an expert that's right for you—whether through a referral from friends or family, or by contacting your local real estate professional association.

Many additional resources are available to guide you down the path to homeownership. For example, lenders frequently offer tips tailored to new homeowners' needs in "First Time Homebuyer" sections of their websites. By starting with these six straightforward steps, you can lead the way toward achieving your homeownership aspirations.

For more information, homebuyers should call 800-570-9888.

### **About Countrywide Home Loans, Inc.**

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