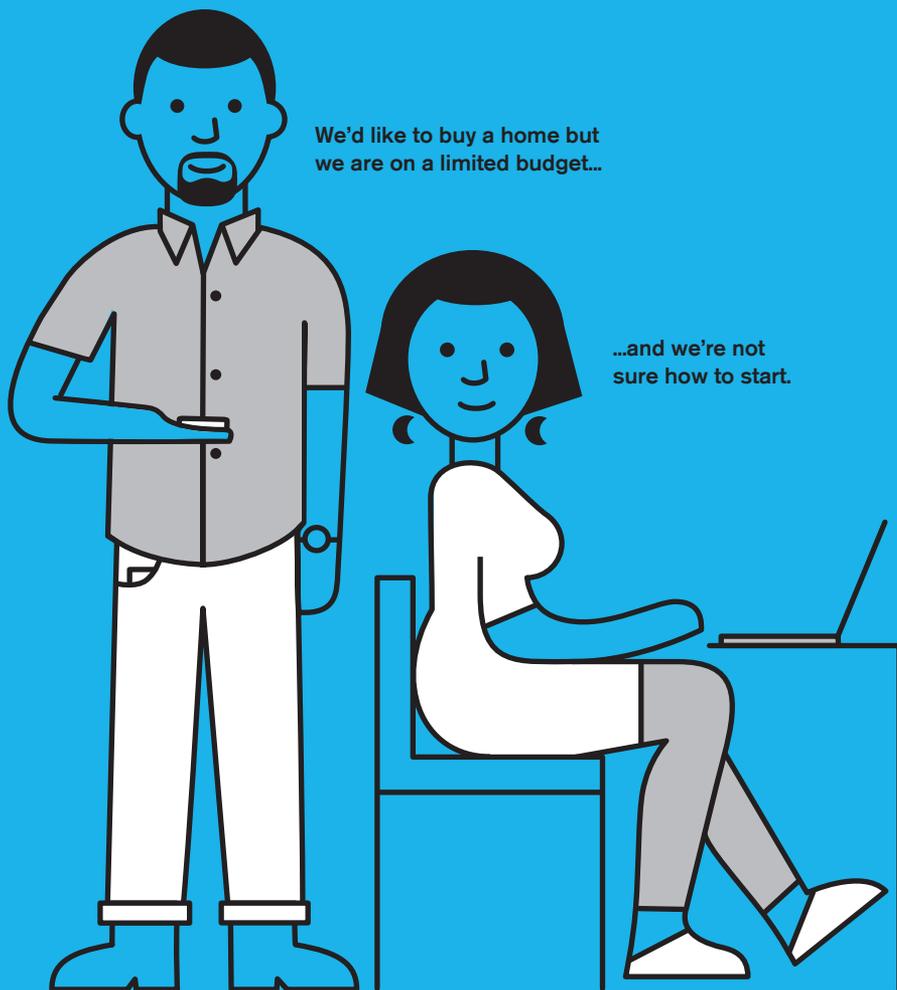


# Homebuyer Handbook

New York  
Mortgage Coalition



We'd like to buy a home but  
we are on a limited budget...

...and we're not  
sure how to start.

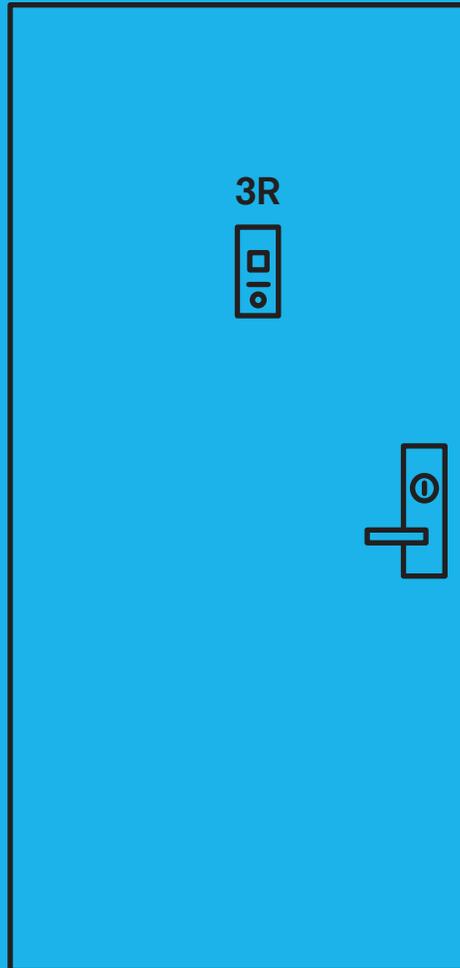
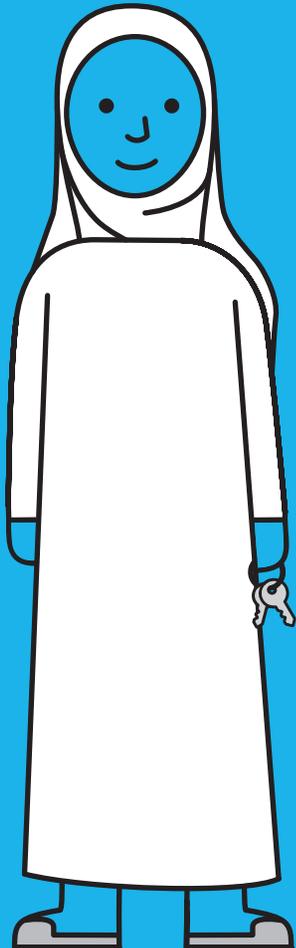
## Who we've helped

Name: Nicola F.  
Age: 49  
Profession: LPN—Health Care  
Status: Single mom  
Counseling agency: Chhaya CDC

Duration of process from contact  
with Chhaya CDC until closing:  
8 months  
Beginning credit score: 700  
Closing credit score: 749

Lender: Bank of America  
Price of home: \$455,000  
Amount of loan: \$446,758  
Down payment subsidy: \$27,300 HPD

Location of new home: Cambria Heights,  
New York  
Total counseling hours with Chhaya CDC:  
30 hrs



Buying a home may seem like a challenge. The New York Mortgage Coalition and their team of HUD Certified Housing Counselors can guide you through the homebuying process by:

- Addressing your credit issues and preparing your finances for homeownership
- Determining how much home you can afford
- Guiding you through the mortgage and homebuying process
- Accessing grants and loans for downpayment and closing cost assistance

There are two main NYMC resources to guide you through the buying process.

### One-on-One Homebuyer Counseling

NYMC's experienced HUD Certified Counselors assist participants in:

- Analyzing personal credit and financial situations
- Counseling for debt management and savings plans
- Establishing or improving credit history
- Determining eligibility for grants or savings programs
- Assisting with mortgage application
- Understanding the various loan products to assist you in determining which product may be right for you



### Financial Education

In our comprehensive pre-purchase workshops you will learn about important topics like credit repair, savings, and budgeting—allowing you to gain a clearer understanding of how much you can truly afford.



1

**Connect with NYMC**  
Participate in NYMC Homebuyer Education or meet with a NYMC HUD Certified Housing Counselor.

2

**Start Saving**  
Get your finances in order and start saving.  
**Note: This step will take the longest.**

3

**Pre-Qualify**  
Work with your Housing Counselor to choose a lender and apply for a mortgage.

4

**Find a Home**  
Choose the type of home and neighborhood for you. Then assemble your team: attorney, realtor, lender.

5

**Make an Offer**  
Work with your team members to make an offer on the home that's right for you.

6

**Get an Inspection**  
Contact a licensed home inspector and have your potential home inspected.

7

**Review Mortgage**  
With the help of your Counselor and Attorney so they can help you negotiate a fair price.

8

**Finalize Mortgage**  
Turn your pre-approval into an actual mortgage application, commitment letter and a Loan Estimate.

9

**Close Your Loan**  
Review final loan terms and determine your monthly payment including taxes and insurance. Close on your loan.

10

**Make it Work**  
Congratulations. You're a homeowner!

## Learn the Steps of Homebuying

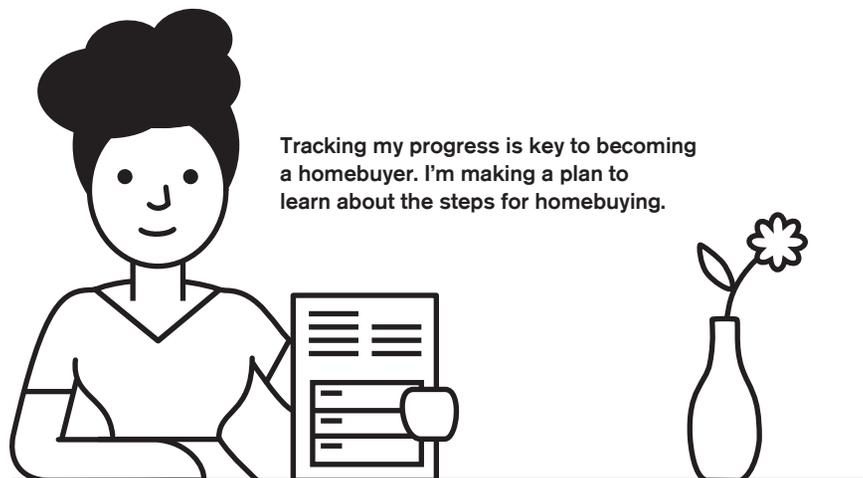
Every homebuying experience is unique.

These steps outline the process to help you track your progress.



# Get Started

First, start by reviewing credit ratings and debt-to-income ratio (DTI). This information will be a useful resource throughout the steps of homebuying. Don't worry! The NYMC will support you through the entire homebuying journey.



## What are Credit Ratings & Debt-to-Income Ratios?

If you have ever used a credit card, or made a large purchase like a car using a loan, you probably have a credit rating. Your credit rating allows lenders to assess your payment habits and credit profile.

Your credit rating is a history of:

- How much you've borrowed.
- Who you borrowed from.
- How well you paid back your debts.
- How you are handling your ongoing debts.
- How long your credit has been established.

The debt-to-income ratio (DTI) is the maximum monthly amount you can spend for a house payment (principal/interest/taxes/insurance) plus all other creditor debts. This percentage ranges to a maximum of 45% depending on loan type.

Gross Monthly Income x DTI % = how much you can spend on your housing payment and monthly reoccurring debt.

A high level of debt will reduce affordability and may make you ineligible for loans. The more monthly debt payments you have, the smaller the amount you can spend on your home purchase. You may need to reduce debt before you apply for a mortgage loan. We can help!



## How to Manage Your Credit

When you apply for credit—whether for a credit card, a car loan, or a mortgage—lenders want to know what risk they'd take by loaning money to you. A credit score measures the likelihood you'll repay what you owe; it is based on information in your credit report.

There are many varieties of credit scores available to lenders. But the most widely used for large loans are FICO scores, which are based on a scoring system developed by Fair, Isaac & Co. and which are provided to lenders by the three national credit bureaus Equifax, Experian, and Trans Union.

### **You need a good credit score.**

A strong credit score will make it easier to get approval for credit for mortgages, car loans, installment loans, and credit cards; to obtain a preferable interest rate on a loan; to obtain lower cost home owner's and car insurance. Employers and landlords can reject applications based on credit worthiness. There is no quick fix for credit repair, but you can develop your own plan for improving your score.



If I'm going to buy a home,  
I need to sort out my credit.

## How to Improve Your Credit

### **Order a copy of your credit report.**

You're entitled to one free copy of your credit report every 12 months from each of the three nationwide credit reporting companies. Order online from [annualcreditreport.com](http://annualcreditreport.com), the only authorized website for free credit reports, or call 1-877-322-8228. When you get your report, review it and inform the credit bureau of any mistakes. Then be a bit patient. Changing a mistake on your report (like a mislabeled late payment) can take 30 days to 4 months or longer. Since corrections can make a big difference in your overall score it's important to remember that the sooner you correct your report, the faster your score will improve!

**Pay your bills on time.** Your payment history counts for 35% of your overall credit score. Therefore paying on time is the most important thing you can do to create credit score improvements. And keep in mind that a recent missed payment is more likely to lower your score than an isolated late payment from way back. SO if you are prone to forgetting to pay your bills use tools; set up autopay to pay the minimum balance on time. Scared of auto-pay? Instead, set a date every month that is credit day and stick to paying bills then by setting a reminder on your phone or calendar.

### **Don't open a lot of new accounts**

**over a short time.** When you apply for new credit the banks think you're about to go on a spending binge and are therefore a higher credit risk. Avoid sending that signal. But...

### **If you have a questionable credit history, open a few new credit accounts, use them responsibly and make your payments on time.**

This feels a bit scary given that you're also being told to not open new lines, but payment history is 35% of your score, so if you've hurt your credit, establishing a good payment history is key to getting your credit score back together. Also remember to keep your credit balance below 25% of your credit limit per-card (see page 12).

## How to Improve Your Credit (continued)

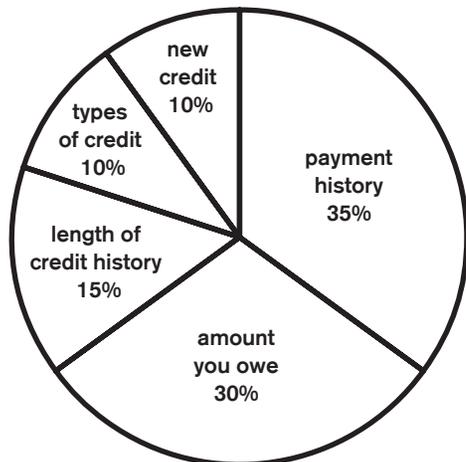
**Use the credit cards you have responsibly and as frequently as is prudent.** If you don't use your cards the banks will sometimes close them or lower the limit. So it is important for them to stay active, but this is not a license to go wild. Use for small purchases and stay current on payments. Try to pay off the entire balance in full each month. Avoid carrying a balance from month-to-month.

**Don't close old accounts.** Credit history (how long you've had the card) counts for 15% of your overall score, so closing cards sets you back. Also, you should aim to keep your debt below 25% of your credit limits. If you close accounts, you give up some of your credit—which makes your existing debt a bigger proportion of your remaining credit.

For example: You owe a total of \$2,000 on four credit cards, each with a \$2,000 limit. Your total limit is \$8,000, and your balance is (\$2,000) is 25%. If you transfer all your balances to two cards and cancel the other two, your total credit limit is now \$4,000 and that same \$2,000 balance is now 50% of the limit. This would lower your score.

**Pay down your credit card debt.** 30% of your credit score is based on outstanding debt, so paying down your balances will have a big and positive impact. Plus, lowering your overall debt greatly assists you on your path to homeownership and helps you qualify for better mortgage terms.

If you need extra help getting your debt under control, our homeownership counselors can also refer you to additional services.



## Do you need additional help understanding your finances?

**Visit the New York Mortgage Coalition website to sign up for the next Homebuyer Education Workshop. The workshop is free! [nymc.org](http://nymc.org)**

**If you understand your current credit worthiness and want to proceed to the next step of homebuying, get started with this homebuying workbook.**



## 1 CONNECT WITH THE NYMC

Whether you begin your homeownership journey in one of our training sessions or by meeting with a counselor, you will:

- Learn about important topics like credit repair, savings, and budgeting.
- Understand exactly what steps you personally need to take to become a homeowner.
- Gain a clearer understanding of how much home you can truly afford.

### NYMC Counselor Contact Information

Agent Name
Phone #
Email
Next Meeting

### Tracking your credit score

Start Date	Score
Check-in 1	Score
Check-in 2	Score
Check-in 3	Score

## 2 START SAVING

Create a budget, assess your credit and start saving for:

- Downpayment.
- Closing Costs.
- Emergency Reserves.

There is lots of great information in this workbook as to how to get financially ready for homeownership. Saving is an important step as you will need substantial savings to purchase a home for your downpayment and closing costs. If you do not have a savings account, open one at a financial institution so that you can track your progress and keep these funds separate from your other accounts.



Use this space to keep track of your progress toward your savings goal.

Downpayment	Yearly Savings Goal and Monthly Amount (Yearly Savings Goal / 12)
Closing Costs	
Reserves	

### 3 PRE-QUALIFY

Work with your NYMC HUD Certified Housing Counselor to:

- Choose a lender.
- Apply for a mortgage.

#### NYMC Loan and Application Assistance

NYMC's participating lenders all offer affordable mortgage products for low-to-moderate income borrowers. Within the range of products here are some general guidelines:

- NYMC mortgages are fixed rate to avoid the potential risk associated with adjustable rates.
- Loans are typically 30 years, with shorter terms available based on eligibility.

- Minimum credit score is 620, though many programs require a minimum of 700.
- A pre-purchase homeownership counseling certificate, available through your homeownership counselor, is required to qualify for all affordable mortgages.
- Minimum down payment is 3% but may vary depending on property type and borrower income.
- Full documentation is required, including two or three years IRS taxes and recent pay stubs.
- Your HUD Certified NYMC Counselor will help you navigate through this process.

Lender 1  URL
Lender 2  URL
Lender 3  URL

### 4 FIND A HOME

Understanding the role of each team member can help you create the best team for you. Here are descriptions of each:

**NYMC Counselor** helps organize your financial situation and guides you through homebuying steps.

**Lender** is the bank providing your mortgage financing.

**Real Estate Agent** is the intermediary between the home seller and buyer.

**Attorney** reviews the home purchase contract and assists you through the closing process.

Counselor
Lender
Real Estate Agent
Attorney

Notes
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## 5 MAKE AN OFFER

**What type of home are you looking for?** There are many types of homes out there. Which type suits your needs: Single family, Cooperative, Condominium, 2 to 4 Family?

**What community is best?** There are many communities throughout New York, each one containing unique characteristics. Defining the characteristics you are looking for is always helpful. Once you have decided on the type of home and community that suits you and your family, it's time to search for an affordable home.

### **Downpayment Subsidies and Closing Cost Grants**

Grants are available from several sources to help with downpayment and closing costs (income and geographic restrictions apply).

**Home First**, a first-time homebuyers' program through the NYC housing agency HPD (Housing Preservation and Development), provides downpayment assistance to qualified buyers. [www.1.nyc.gov/site/hpd/services-and-information/homefirst-down-payment-assistance-program.page](http://www.1.nyc.gov/site/hpd/services-and-information/homefirst-down-payment-assistance-program.page)

**SONYMA**, the State of New York Mortgage Agency, offers downpayment assistance loans. [hcr.ny.gov/sonyma](http://hcr.ny.gov/sonyma)

Who to work with when preparing to make an offer:

- NYMC HUD Certified Homeownership Counselor
- Lender
- Real Estate Agent



### Choosing Your Home

Community
Home Type

### Financing Your Home

Listed Home Price
Mortgage Rate
Offer Price

Notes
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## 6 GET AN INSPECTION

- Contact a licensed home inspector.
- Have your potential home inspected.
- Renegotiate the price if necessary.

Inspector 1	Estimate
Inspector 2	Estimate
Inspector 3	Estimate

## 7 REVIEW MORTGAGE

Before applying for your loan. Review and prepare any points in the contract that are unclear. Review these with your NYMC Counselor and Attorney so they can help you negotiate a fair price. Once a fair price has been determined:

- Have your attorney review the contract.
- Sign the contract and pay the down payment.

Point 1
Point 2
Point 3

## 8 FINALIZE MORTGAGE

With help from your NYMC Counselor turn your pre-approval into an actual mortgage application. Follow the checklist below before submitting.

- Finalize mortgage application.
- Obtain commitment letter from your lender.
- Obtain Loan Estimate from lender.



## 9 CLOSE YOUR LOAN

You're almost there. Follow the remaining steps to closing on your home.

- Review final loan terms and review the Loan Estimate from the lender to determine your final monthly housing payment.
- Close on your loan.
- Congratulations! You are officially a homeowner.

Loan Lender
Date and Time of Closing
Closing Loan Terms

Once you become a homeowner, you must manage not only your mortgage payments but repairs and maintenance costs. The financial skills you learned in homebuyer education will continue to be valuable as you continue to effectively manage your expenses.

- Live within your budget.
- Maintain your home and make your mortgage payments your highest priority.

Along with the advantages of homeownership there are many responsibilities. Counseling sessions can prepare first-time homebuyers for the many facets of homeownership.

**The NYMC also provides post-purchase counseling.**

Post-purchase guidance includes:

- Foreclosure prevention.
- Outreach and education for those targeted by predatory lenders.
- Refinancing.
- Home management.
- Personal Money Management.

Mortgage Payment Amount	Monthly Payment Date
Home Maintenance Account	

# Meet the NYMC

**The New York Mortgage Coalition (NYMC) is a nonprofit collaboration of financial institutions and community housing agencies focused on expanding the opportunity for responsible and sustainable homeownership to minority and low and moderate income individuals and families in the five boroughs of New York City, as well as the surrounding counties of Nassau, Suffolk, Dutchess, Orange, Rockland, and Westchester.**

You've got this.  
We can do it together.



## Who we are

Every year we assist thousands of New Yorkers to prepare for homeownership.

NYMC supports its neighborhood-based nonprofit members in their pre-purchase counseling, post-purchase education, and financial literacy programs. Coalition members provide the public with access to the tools to achieve the dream of homeownership including information on competitive, fixed-rate loans, closing cost grants, and down payment assistance. NYMC also supports its member agencies who play a leading role in preserving homeownership offering informational workshops and one-on-one counseling to troubled homeowners through foreclosure prevention programs.

Known for bringing experts together and exploring unconventional approaches to longstanding issues, we understand the wide-ranging benefits of homeownership including generational wealth-building and neighborhood stabilization—and are committed to expanding those opportunities.

Going forward, the New York Mortgage Coalition seeks to broaden our scope beyond traditional housing issues to explore the wide range of factors that impact homeownership, including racial disparity, student loan debt, and the challenges facing entrepreneurs. As a true coalition, we are committed to collaboration, conversation and creative solutions.

## Who we've helped

Names: Jane and Ralph T.  
Age: 42 and 48  
Professions: Health Care  
Status: Married couple with one child  
Counseling agency: IMPACCT Brooklyn

Duration of process from contact with IMPACCT Brooklyn until closing: 38 months  
Beginning credit scores: 520 and 545  
Closing credit scores: 740 and 720

Lender: M&T Bank  
Price of home: \$215,000  
Amount of loan: \$160,000  
Down payment subsidy: \$0

Location of new home: Bedford Stuyvesant, Brooklyn  
Total counseling hours with IMPACCT Brooklyn: 25 hrs

Name: Amy W.  
Age: 42  
Profession: Artist/Teacher  
Status: Single  
Counseling agency: Harlem Congregations for Community Improvement (HCCI)

Duration of process from contact with HCCI until closing: 9 months  
Beginning credit score: 680  
Closing credit score: 720

Lender: Citibank  
Price of home: \$139,000  
Amount of loan: \$100,255  
Down payment subsidy: \$0

Location of new home: East Village  
Total counseling hours with HCCI: 15 hrs



Thank you! The pace of the training was very easy to follow along, and they made me feel comfortable with the process.

**Q: How long does the pre-purchase counseling process take?**

A: It depends. NYMC Homebuyer Education Training takes place over 5 weeks with one two-hour workshop per week covering all aspects of buying a home and our partner agencies offer similar training. Following completion of the workshops, we connect prospective homebuyers with a HUD Certified Housing Counselor for private 1-1 counseling to address the specific financial profile of each client.

**Q: What does NYMC’s service cost?**

A: There is no cost for the NYMC Homeownership Webinar training program. Participants who move on to housing agency counseling or in-person training with one of our partner agencies may incur a small fee for those services depending on the amount of counseling required.

**Q: How do I qualify for closing cost assistance or down payment subsidies?**

A: These programs are based on household income and some available assistance may depend on where you plan to buy. In most cases, your income cannot exceed 80% of area median income (AMI), as determined by HUD and based on household income. Your HUD Certified NYMC counselor is extremely knowledgeable about all of the programs available at any given time and will help you maximize the amount of assistance you receive.

**Q: How many people have you helped?**

A: Since NYMC’s founding in 1993 we have provided homeownership counseling to over 60,000 low-to-moderate income individuals and families in the Greater New York area and have guided over 10,000 clients through their first home purchase.

**AAFE Community Development Fund**  
(212) 964-2288  
aafe.org/cdf

**CDC Long Island**  
(631) 471-1215  
cdcli.org

**Chhaya CDC**  
(718) 478-3848  
chhayacdc.org

**Harlem Congregations for Community Improvement (HCCI)**  
(212) 281-4887  
hcci.org

**Housing Action Council**  
(914) 332-4144  
housingactioncouncil.org

**Neighbors Helping Neighbors**  
(718) 237-2017  
nhnhome.org

**IMPACCT Brooklyn**  
(718) 522-2613  
impacctbrooklyn.org

**Long Island Housing Partnership**  
(631) 435-4710  
lihpa.org

**Northfield Community LDC**  
(718) 442-7351  
northfieldldc.org

Visit [nymc.org/who-we-are/community-groups.html](http://nymc.org/who-we-are/community-groups.html) for a full list of the most up-to-date partners and agencies.

This webinar was excellent. All the information was incredibly valuable.



# Lenders and Supporting Partners

NYMC lenders provide competitive fixed-rate loans which may include closing cost and down payment subsidies based on need and eligibility.

Our participating financial institutions:

**Bank of America**

**Bank of New York Mellon**

**BankUnited**

**Capital One**

**CTBC Bank**

**Chase**

**Citibank**

**Dime Community Bank**

**Fannie Mae**

**HSBC**

**M&T**

**Morgan Stanley**

**People's United Bank**

**Ridgewood Savings Bank**

**Santander**

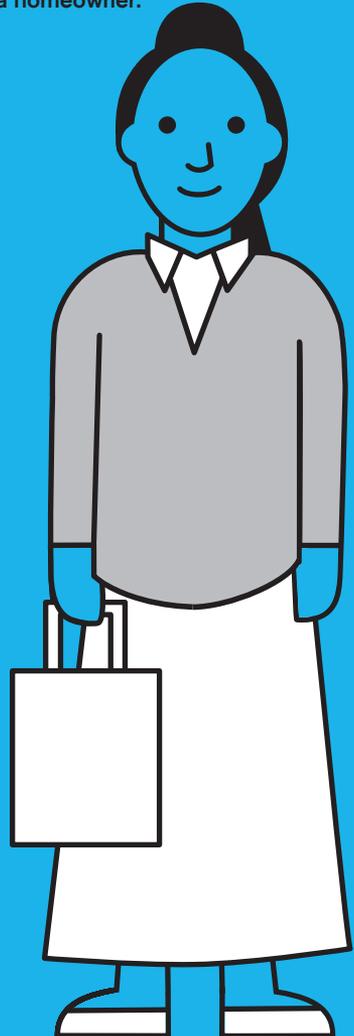
**SONYMA**

**State Bank of India**

**Valley National Bank**

**Webster Bank**

These classes made me realize that I am truly ready to be a homeowner.



This handbook has been brought to you through the partnership of the New York Mortgage Coalition, ArtBuilt–New York and the New York Community Trust.



**ARTBUILT—**

