

# DETROIT NATIVE SUN

## Five easy steps to create your homebuying budget

## Three things to know about digital mortgage tools

(StatePoint) One of the most important steps to take while house hunting is to create an intentional budget that accounts for both upfront costs and recurring expenses. Doing so will help you find a home that meets both your lifestyle needs and financial situation. Here's how:

**1. Assess What You Can Afford:** A common way to generally estimate the price range of a home you can afford is to multiply your annual gross income (what you earn before taxes) by three to five, according to Fidelity. Understand that mortgage rates will have a big impact too. Lower rates can substantially increase your purchasing power. Lenders set an interest rate for each person based on several factors, such as credit score. A higher credit score could mean a lower interest rate or better loan term.

**2. Account for Upfront Costs:** When budgeting, account for these one-time upfront costs you'll pay after your offer is accepted:

**The down payment:** This is typically between 5% and 20% of the home's purchase price. However, qualified borrowers can put down as little as 3% with options such as Freddie Mac's Home Possible or HomeOne mortgages. Both require private mortgage insurance, which is an additional expense to consider.

**Earnest money deposit:** Earnest money, also known as a good faith deposit, amounts to approximately 1%-2% of the purchase price of the home and is a sum you submit with your offer to show the seller you're serious. During closing, the amount you pay in earnest money can be applied toward your down payment or closing costs.

**Home inspection:** The home inspection, which will be your responsibility, typically costs between \$300 and \$450, according to recent estimates from Rocket Mortgage, and will tell you about the home and its potential issues. Your realtor should be able to recommend several well-qualified inspectors.

**Closing costs:** Closing costs are what you will pay to the people representing your purchase, such as your lender and real estate agent. Also known as settlement fees, closing costs typically amount to 2% to 5% of the purchase price, and you may be able to roll them into your loan. Work with your lender to find the approach that best fits your financial situation.

**Moving expenses:** Whether you hire professional movers or DIY your move, online resources such as Realtor.com's moving cost calculator can help you estimate potential costs. When hiring movers, get quotes to ensure you are getting a fair price and to avoid moving fraud.

**3. Plan for Ongoing Expenses:** Once you're in the home, you'll be responsible for making monthly payments. These may include your mortgage principal, interest, property taxes, homeowners insurance, private mortgage insurance, escrow payments and homeowners association fees. Most lenders agree that you should spend no more than 30% of your gross monthly income on these expenses, though this number will depend on your financial situation. You'll also need to save for regular maintenance expenses, such as appliance upkeep.

**4. Leave Room for Flexibility:** Be sure to factor in savings for repairs or replacements of big-ticket items, such as your roof or HVAC system. Such flexibility in your budget can also help you weather financial emergencies, such as job loss, illness and unexpected circumstances.

**5. Use Tools to Guide Your Decision:** To help you answer the critical question of how much home you can afford, use Freddie Mac's home affordability calculator found at [myhome.freddie.com](http://myhome.freddie.com). This free online resource also offers a wealth of essential information to guide you at every stage of your home journey.

As you hunt for the home of your dreams, stay prepared and informed. One essential aspect of doing so is to set a realistic budget that accounts for the true costs of homeownership.



(StatePoint) With the increased use of digital tools, the mortgage process looks quite different today than it did for previous generations. These new technologies can make the home loan process more efficient for both those buying a home and those refinancing their mortgage. However, it's important to understand how your information is being used.

To help ensure you're a savvy loan applicant, Freddie Mac is providing answers to some commonly asked questions about digital mortgage tools:

**Why do lenders use digital mortgage tools?** Lenders have traditionally relied on printed documentation that requires them to manually review your application before deciding if you qualify for a loan, including for how much and on what terms. This can be a time-consuming process for both the homebuyer and the lender. Digital mortgage underwriting tools allow lenders to expedite the process by using electronic documents and automation to more efficiently evaluate your loan application. Freddie Mac research has found that these tools can decrease the loan origination timeline and may also save you money in closing costs.

In addition, the digital tools mortgage lenders use may help you qualify for a loan if you have a limited credit profile by looking at factors such as your history of on-time rent payments or the amount of money coming into and out of your bank account each month. This helps demonstrate your ability to pay your mortgage each month.

What information will my lender ask for? Not only will the way you provide documentation change, but in some instances the information your lender evalu-

ates will change as well. For instance, you may be asked to provide access to digital accounts, such as your bank account, instead of providing printed bank statements. By using digital tools, lenders can get a more detailed view of your finances, which helps them lend to you if you are a harder-to-underwrite buyer. Specific requirements may vary by lender — some may prefer a fully-digital process while others may use a combination of printed and electronic documents. Talk to your lender to get a better understanding of their loan application process.

What if I'm not comfortable providing my information? Though your lender will have a more detailed look at your finances through a fully-digital process, keep in mind that digital documents often provide a higher level of security than printed documents. If you still prefer not to share digital access to your personal information, your lender should understand your concerns and be willing to work with you on an alternative solution. If not, you can find a different lender who is willing to accommodate a loan application process that is not digital. In either scenario, you should always take steps to ensure your personal information is protected and remain vigilant against potential fraud. You can help mitigate your risk of fraud and identity theft by researching lenders and working only with reputable companies that take steps to protect their customers' information.

Learn more about the mortgage application process with Freddie Mac's step-by-step guides to homebuying and refinancing, which are available at [myhome.freddie.com](http://myhome.freddie.com).

## Stan's Lock & Key Clinic

**New Do It Yourself Hardware Store**



**24 Hour Emergency Service**

**Specializing in**

- Commercial • Residential
- Automotive • Security Lock Specialist
- Complete Auto & Computer Key Programming
- Auto Alarms • Door Closers • Mobile Service
- Steering Column Repair
- Storm Windows • Screen Repairs
- Auto Theft Repair Specialist
- Glass and Windshield Repairs
- Wood and Steel Doors
- Window Guards
- Bar Gate • Red Door • Garage Door

"Thank you for letting us service you for all your lock and key needs"

**Stan's Lock & Key Clinic**  
**15155 Grand River Ave.**  
**Detroit, MI**  
**(313) 835-6129 Office**  
**(734) 550-6575 Cel**

Hours: Monday-Saturday 9:00 a.m. - 9:00 p.m.  
 Sunday & Holidays 11:00 a.m. - 8:00 p.m.

## TAYLOR TOWN

### WATCH & CLOCK REPAIR

# NOW OPEN

**Sell, Buy, Trade**

In stock old rebuilt watches & clocks



Tic  
Toc  
Doc

## Tom Laskowski

### (734)556-0135

22525 Ecorse Road ~ Taylor, Mich. 48180

(Located near rear information booth)

Saturday 10 am - 8 pm - Sunday 10 am - 8 pm