

# What to Know About Your Finances

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**BEFORE BUYING  
A HOME**

FROM MILITARYBYOWNER

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A young couple is shown from the chest up, looking at a laptop screen. The woman is on the left, smiling and pointing at the screen. The man is on the right, also smiling. The image has a blue overlay. Large white text is overlaid on the image.

# 01 PART

BEFORE YOU BUY



# It's Important to Plan Ahead

**The homeownership rate for veterans consistently trends higher than the national rate.**

Even if you're not a homeowner yet, the time to start planning your finances and saving money is *now*.

MilitaryByOwner Advertising, Inc., your source for housing near U.S. military bases, offers you tips on understanding your credit score, budgeting for homeownership, and choosing the right mortgage.

**Learn how to make your home buying dream a reality!**

# Understanding Your Credit Score

## Do you know the credit score you'll need to buy a home?

Recommended minimum scores range from 620 to 740, depending on the type of home loan.

And don't forget, you'll not only need a good credit score, but enough cushion to plan for expenses as a homeowner.

## Not sure where to begin?

Several factors that go into building good credit include:

- Looking for opportunities to establish credit
- Understanding what makes up your credit score
- Setting and following a budget



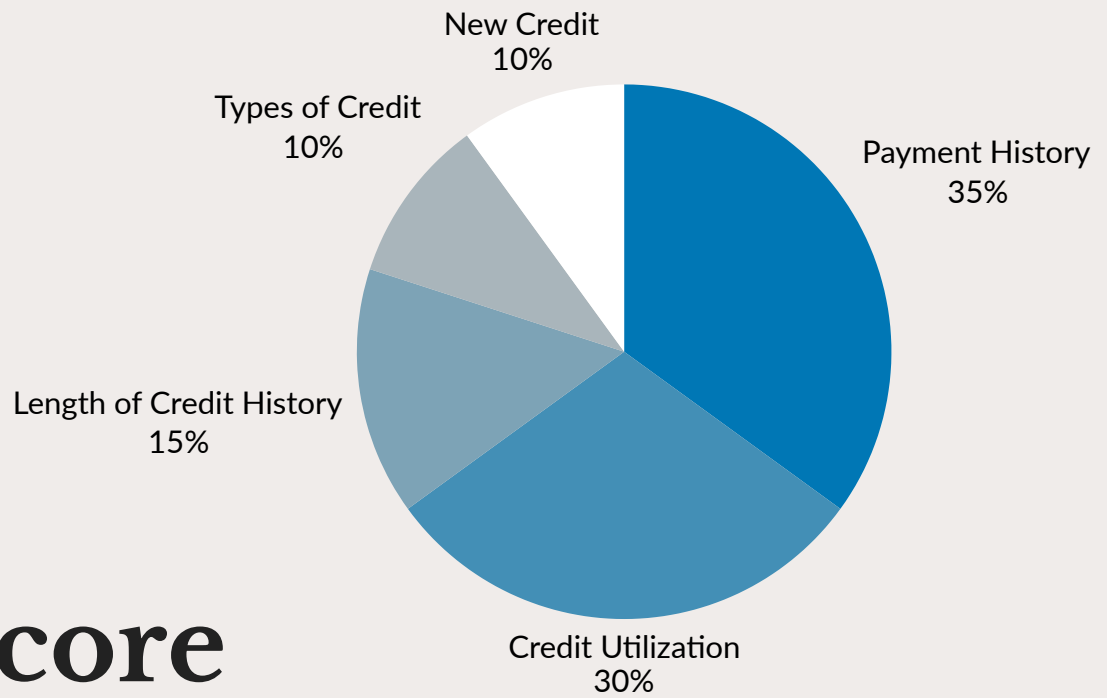
PHOTO BY NORTONRSX FROM GETTY IMAGES VIA CANVA.COM

- Reviewing your credit score regularly
- Avoiding common mistakes

Read on to understand your credit score breakdown and ways to repair your score if it's not yet where you'd like it to be.

**Note: Links/resources mentioned in this guide are listed in the end notes.**

# Credit Score Breakdown



## KEY FACTORS AFFECTING YOUR CREDIT SCORE



35%	Payment History	Do you pay your accounts on time? On-time payments are your best bet for a good score.
30%	Credit Utilization	How much do you owe on the credit you have? Lowering your debt helps with your score.
15%	Length of History	How long have you had credit? The longer you've maintained good credit, the better.
10%	Types of Credit	Having experience with different types of credit can be helpful.
10%	New Credit	Have you recently opened a new account? Many new accounts in a short time can hurt your credit.

# How to Build Credit

Even if you have a less-than-ideal credit score, homeownership is a possibility. The key to procuring a loan with a lower credit score is to find an experienced lender who works directly with government-backed mortgage insurers, such as the VA and FHA.

You don't need multiple credit card. Instead, choose one or two credit cards that offer strong rewards programs for the items you most value and stick with those.

If you don't have a credit card, mortgage brokers strongly advise the regular use of at least one. If you choose to work with cash, charge a small amount and pay it off each month.

PHOTO BY PRATHAN CHORRUANGSAK VIA CANVA.COM

# Common Credit Score Mistakes to Avoid



## **PAYING LATE**

Missing due dates can result in late fees, damage your credit score, and stay on your credit report for years. Even one missed payment can hurt your credit.



## **ONLY PAYING THE MINIMUM**

Paying the minimum keeps your account in good standing, but leads to high interest charges over time, making it harder to pay down debt and costing you more in the long run.



## **MAXING OUT CREDIT CARDS**

Using all or most of your available credit lowers your credit score and signals to lenders that you may be overextended or at financial risk.



## **CO-SIGNING A LOAN**

When you co-sign, you're legally responsible for the loan if the other person can't pay. Missed payments affect your credit, even if you're not the one who borrowed the money.



## **OPENING MANY CREDIT LINES AT ONCE**

Too many credit applications in a short time can lower your credit score and make you look risky to lenders. It may also tempt you to spend beyond your means.

# Repairing Your Credit

## WHAT YOU CAN DO TO IMPROVE YOUR SCORE

### CHECK YOUR SCORE

Know what's on your credit report and identify problem areas.

### DISPUTE INACCURACIES

Dispute each mistake with each bureau and each problem account separately. Consider hiring a reputable credit repair company.

### REDUCE CREDIT CARD DEBT

Keep your balances low (at least 30% below the credit limit) or pay off each month.

### BEGIN POSITIVE CREDIT HISTORY

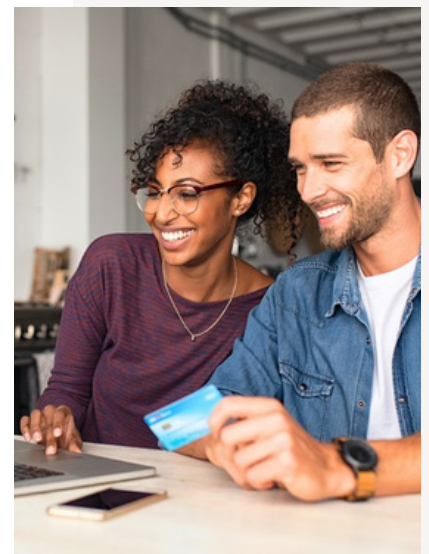
Consider a secured credit card to help fix bad credit and/or become an authorized user on an account whose primary user has a positive credit history and healthy habits.

### PAY BILLS BY THE DUE DATE

35% of your credit score is based on your payment history. Even one late payment can reduce your credit score. Set up automatic reminders if needed.

### BE PATIENT AND DILIGENT

Repairing your credit score takes time. It is more about fixing errors on your report and working to maintain a consistent good credit history. With patience and time, you can repair your credit score!





# PART 2

## PLANNING EXPENSES

# Living the Homeownership Dream

**Planning for homeownership isn't only about paying off your mortgage.**

You'll need to realistically plan for homeownership expenses that will crop up, such as home repairs, maintenance, and even HOA fees. Many experts recommend setting aside an amount equal to six months of pay as an emergency fund.

**Use the helpful infographic on the next page to help plan out your budget.**

## TIP

The true cost of homeownership goes beyond the mortgage. Plan ahead for repairs, maintenance, and the unexpected.



# Homeownership Expenses



## UTILITIES

- Electricity
- Water
- Gas
- Trash disposal

## MAINTENANCE

- HVAC
- Electrical
- Roof
- Plumbing
- Appliances



## PEST CONTROL

- Termites
- Ants
- Bees
- Rodents



## CHANGES & UPDATES

- Light fixtures
- Paint
- Walkways
- Window coverings



## BUSINESS & ENTERTAINMENT

- Cable TV
- Streaming services
- Internet



## YARD UPKEEP

- Lawn and garden
- Water
- Supplies
- Tools



## MISCELLANEOUS

- Cleaning supplies
- Emergencies
- HOA dues
- Security system





# PART 3

## FINDING A MORTGAGE LENDER



# Shopping Around for a Lender

**If you're financing your home, you'll want to determine your pre-qualification amount, which is the loan amount that a lender estimates based on your self-reported answers.**

For a quick estimate, use a VA loan calculator such as the one offered by Veterans United.

If your pre-qualification amount helps you decide to pursue home buying further, then it's time to get pre-approved. A pre-approval takes additional factors into account, such as your debt-to-income ratio, credit rating, debt worthiness, and any potential implications a PCS move may have for your impending move, like a change in spouse employment.

# COMMON TYPES OF HOME LOANS



## CONVENTIONAL MORTGAGE

- Typically requires a higher credit score (620+).
- Down payments can start at 3% but are more often around 10%.
- May require private mortgage insurance (PMI) if the down payment is less than 20%.

1

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## FHA MORTGAGE

- Insured by the Federal Housing Administration.
- Minimum credit score: 580 with 3.5% down or 500 with 10% down.
- More lenient on debt-to-income ratios.
- Requires upfront and annual mortgage insurance premiums.



## VA LOAN

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- Guaranteed by the VA.
- Available for eligible veterans, service members, and some spouses.
- No down payments or PMI required.
- The property must pass VA inspections.



## USDA RURAL HOUSING LOAN

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- Backed by the U.S. Department of Agriculture.
- Available in eligible rural and suburban areas.
- No down payment required.
- Income limits apply based on location and household size.



## ADJUSTABLE-RATE MORTGAGE

- The interest rate is fixed for an initial period and then adjusts periodically.
- Common terms include 5/1, 7/1, or 10/1 (first number = fixed years).
- Rate adjustments based on market index plus a margin.
- Lower initial rates, but payments increase over time.

# Understanding the VA Home Loan

**Although the VA loan is a great benefit, it comes with details and requirements.**

Using qualified real estate agents and reputable lenders can make the home buying process easier.

- The U.S. Department of Veterans Affairs doesn't supply the money for the loan; it only guarantees a portion, so lenders will be more likely to offer service members the money to finance a home.
- VA loans are intended to put military members in single-family homes, condos, or modular housing with minimal issues to ensure a move-in-ready residence. Loans are not usually available for fixer-uppers.
- VA loans may be used more than once, even for refinancing. If you have a remaining entitlement or repay the



initial loan, you can use it again. Contacting the VA is the best way to review your Certificate of Eligibility (COE).

- Service members who have faced foreclosure or bankruptcy are still eligible for a VA loan.
- Military members who encounter financial problems within the duration of their VA loan are authorized to receive support from the VA office. The staff looks for options to make the payments manageable and prevent foreclosures.

# Get More Home Buying Help

**MilitaryByOwner stands ready to help you find a home near all U.S. military bases.**

And did you know we also offer extensive resources for renters, homebuyers, property managers, landlords and tenants? Check out our blog!

Contact MilitaryByOwner's Customer Service for help with your home search or any other questions.

**We've also published the free guides below to help you as you search for a new home. Just click the cover images to view the ebooks.**

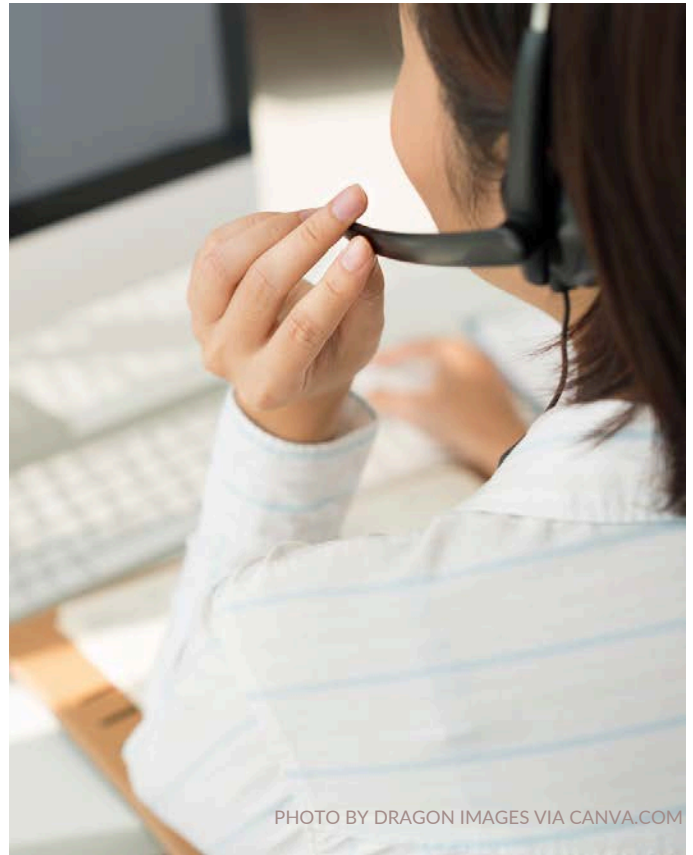




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## Connect with MilitaryByOwner

**MilitaryByOwner Advertising, Inc., is your military relocation expert!**

MilitaryByOwner's goal is to provide a comprehensive low-cost means for military members, their families, and real estate agents to advertise or find homes for sale or rent.

Our service encompasses all locations where military members may be stationed nationwide, along with Guam and Puerto Rico. We also provide helpful information through our articles, blog posts, videos, and other content like this free guide.



*We'd love to hear from you!*

- Phone: 866-604-9126
- [Email us](#)
- Website: [militarybyowner.com](https://militarybyowner.com)





# More Home Buying Resources

- [5 Steps to Balance Your Home Buying Dream Against Your Budget Reality](#)
- [7 Steps to Help Rebuild Your Credit Score](#)
- [Buying a Home with Renting in Mind](#)
- [Can I Buy a Home with Bad Credit?](#)
- [MilitaryByOwner Blog](#)
- [MilitaryByOwner Business Directory](#)
- [MilitaryByOwner Home Ad Packages](#)
- [Most Common Documents Needed for Home Financing](#)
- [Understanding Different Types of Home Loans](#)
- [U.S. Legal Forms](#)
- [VA Home Loan for Military Homebuyers](#)
- [What Is a VA Loan?](#)
- [What to Know About Homeowners Insurance](#)
- [Your Step-by-Step Guide to Using the VA Home Loan](#)