

# 3 Steps to Understanding Your Finances



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Talk to your personal loan officer to find out which option is right for you. Call **Gary Talbot – NMLS #47462** at **(413) 256-5541** or visit [umassfive.coop/mortgage](https://umassfive.coop/mortgage).

## 1 Understanding your money

### How to calculate a comfortable mortgage payment

Your pre-approval letter will tell you how much money we're willing to loan you, but it doesn't mean you have to borrow the full amount. In fact, you probably shouldn't.

Lenders have no way of knowing your financial dreams and goals. They are only able to determine if you have enough money to afford your payment. But just because your income can afford the payment, doesn't mean your lifestyle can. What happens if the money your lender thinks you can use to pay your mortgage is money you wanted to spend on a family vacation? Or a new car? Or to put away for college?

**If you don't consider your lifestyle when taking out a mortgage you could become "house broke."**



The Consumer Financial Protection Bureau has a great worksheet that will help you calculate how much you can actually afford:

[https://www.consumerfinance.gov/owning-a-home/resources/monthly\\_payment\\_worksheet.pdf](https://www.consumerfinance.gov/owning-a-home/resources/monthly_payment_worksheet.pdf)

### Simple ways to save for a down payment



#### Automate your savings

Automatically transfer small amounts each week into a savings account. Start small and work your way up to a larger amount.



#### Earn income by freelancing

Google "freelance websites" for inspiration on how to turn the skills you already have into cash! <https://www.ryrob.com/freelance-jobs/> has a long list of websites that may be able to help you monetize those skills.



#### Go on a staycation

Stay home instead of taking a trip. Visit a museum, beach, or go to a movie. Bicycle with your family to a park and have a picnic. The ideas are endless.



#### Change your buying habits

It's amazing how fast those \$2.49 coffees add up! Make your coffee at home and add the dollar amount you're saving to your automatic transfer.



#### Consider MAM's no closing costs loan

In exchange for a slightly higher interest rate, MAM will pay your closing costs for you! That will get you to your goal faster. Talk to your loan officer to see if this option is right for you.

## 2 Understanding your credit

### What's on your credit report?

Your credit report is a summary of information that's been reported to Experian, Equifax and TransUnion, the three credit bureaus. Here's what you'll find:

**Identifying information:** Name, Address, Date of Birth, SSN, etc.

**Accounts:** Type of account (credit card, car loan, mortgage, etc).

**Inquiries:** Hard inquiries happen when a company checks your credit, soft inquiries happen when you check it. Hard inquiries may affect your score.

**Bankruptcies and collections:** If you've declared bankruptcy, or a creditor has sent your debt to collections this will appear on your credit report. Bankruptcies remain on your report for 10 years, while collections remain for 7.

**Your score:** A number ranging between 300-850. Your score must be at least 620 (sometimes higher) for MAM to give you a loan.

### What is a FICO score?

In 1981 the Fair Isaac Corporation (or FICO) created the first "credit risk" score. It tells lenders how likely you are to repay your loan. It's a three digit number between 300-850. The higher the number the better.

### How to check your credit report for free

The government requires Experian, Equifax, and TransUnion to give you a free copy of your report once a year. Be aware that [annualcreditreport.com](http://annualcreditreport.com) is the only site mandated by federal law to actually do this for free.

### How to increase your credit score

**Correct mistakes:** Go to [annualcreditreport.com](http://annualcreditreport.com) and report errors.

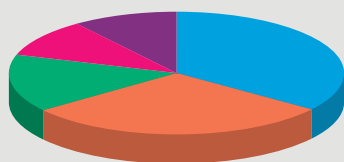
**Get your credit utilization rate under 30%:** This is the percentage of how much of your available credit you've used. Take your balance, divide by your limit, and multiply by 100. If the number isn't under 30%, pay down high balances. Or ask for a credit increase. Both will achieve the same result.

**Pay twice a month:** Your balance is only reported once a month. Paying more frequently lowers your balance which raises your credit utilization rate!

**Open a new account:** Talk to your lender before doing this, but if you have a high credit utilization rate opening a new line of credit will lower it.

**Piggyback on someone else's credit:** As a last resort, ask someone with a high credit utilization rate and great payment history (who is absolutely crazy about you) to add you as an authorized user to one of their credit cards. Their good credit will be reflected on your credit report, giving your score a boost.

There are 5 categories FICO uses to create your score:



**35% Payment history**

Do you have a strong history of paying bills on time?

**30% Amounts owed**

How much of your available credit have you borrowed?

**15% Length of credit history**

How long have you had your lines of credit?

**10% Credit mix**

What's your mix of credit cards, car loans, student loans, mortgages, etc?

**10% New credit**

Have you recently opened new lines of credit?

# 3 Understanding your partners

## How to find a good real estate agent

With so many capable real estate agents wanting to help you find your new home, finding the right one may feel overwhelming. Here are some things to consider as you narrow down your choices:



### Experience

Directly ask “why should I work with you?” to uncover highly skilled agents that are great at their job.



### References

Ask for references and call them. Ask references how they met the agent. More experienced agents will have many clients who are not friends or family members.



### Availability

Is this a part time or full time job for the agent? If it's part time, will they make themselves available when you need them?



### Neighborhood knowledge

Find out how familiar the agent is with the area. Do they live in the area you are looking at? Have they sold homes there? What neighborhoods do they think would be right for you?



### Website

If the agent has a website, it probably has a lot of great information. This will give you a chance to get to know the agent better before deciding to work with them.

## HOW TO FIND THE RIGHT MORTGAGE FOR YOU

| Fixed Rate                                      | Adjustable Rate                                                 | Jumbo Loans                                                          | Government Loans                                                                                                                                             | No Closing Costs                                                     |
|-------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| Great if you'll be in your home for a long time | Great if you only plan on staying in your home for a few years. | Great if you have stellar credit, and want to buy an expensive home. | FHA loans are great if you have lower credit, or want a low down payment. VA loans are designed for veterans and their families, and offer \$0 down payment. | Great if you're having a hard time saving up for your closing costs. |

Talk to your personal loan officer to find the right option for you. There are lots of factors and personal preferences to consider. Combining our expertise with the vision you have for your family, we'll help you find just the right mortgage, together.

Visit [umassfive.coop/mortgage](http://umassfive.coop/mortgage) to learn more.



Gary Talbot – NMLS #47462, Senior Mortgage Consultant for Member Advantage Mortgage working with UMassFive College Credit Union to offer mortgages to members.



NMLS #460131



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