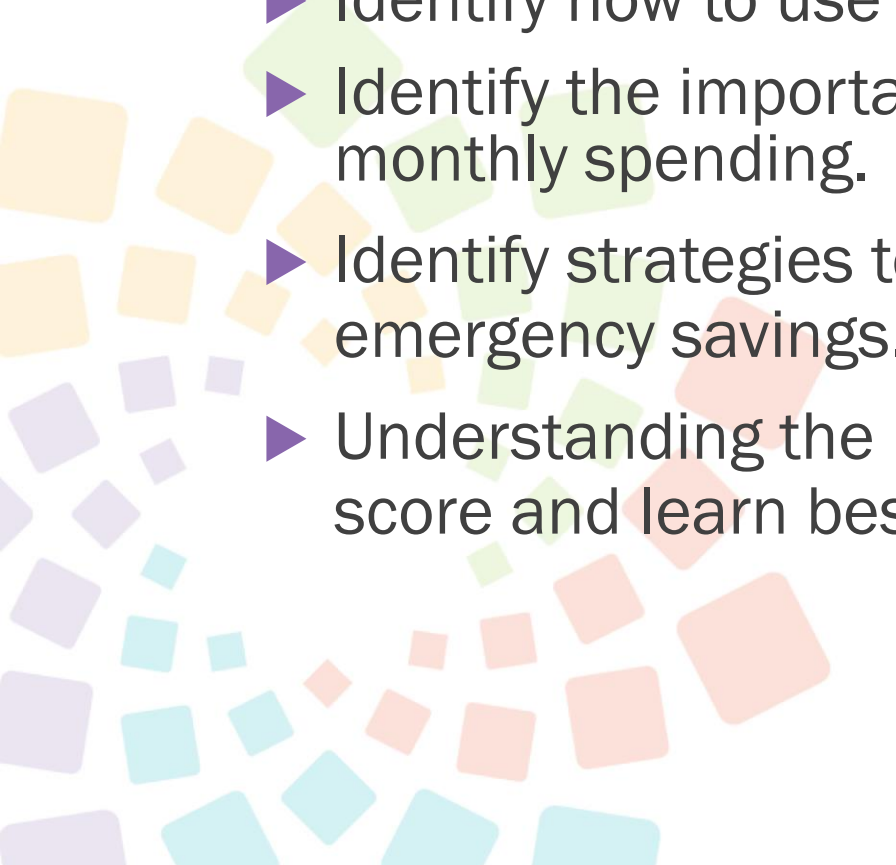




Getting Ready to Buy a House

BY BRENDA VELASCO

Steps to get ready to buy a House

- 
- A decorative graphic in the bottom-left corner of the slide, consisting of a cluster of small, semi-transparent squares in various colors including yellow, orange, green, purple, and blue, arranged in a roughly circular pattern.
- ▶ Identify how to use SMART Goals to start a savings goal.
 - ▶ Identify the importance of using a budget to manage monthly spending.
 - ▶ Identify strategies to pay yourself first and develop an emergency savings.
 - ▶ Understanding the basics of credit history and your credit score and learn best practices to build your credit score.

Goals

S



Specific

M



Measurable

A



Attainable

R



Relevant

T



Time Based

Budgeting Basics



Budget - It is a **plan** to **manage** your money by monitoring your **income** and tracking your **expenses**.

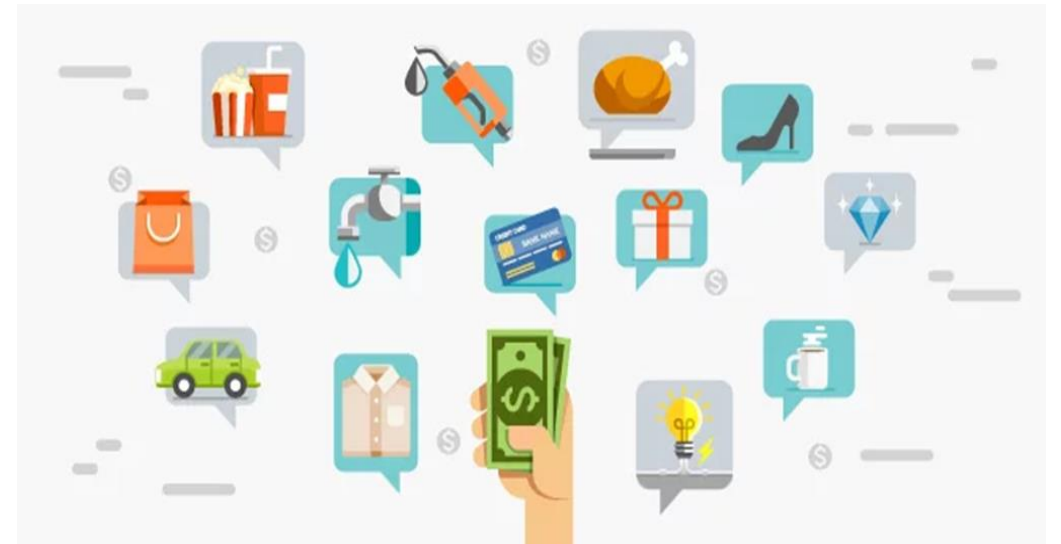


INCOME

EXPENSES

A Budget allows you to:

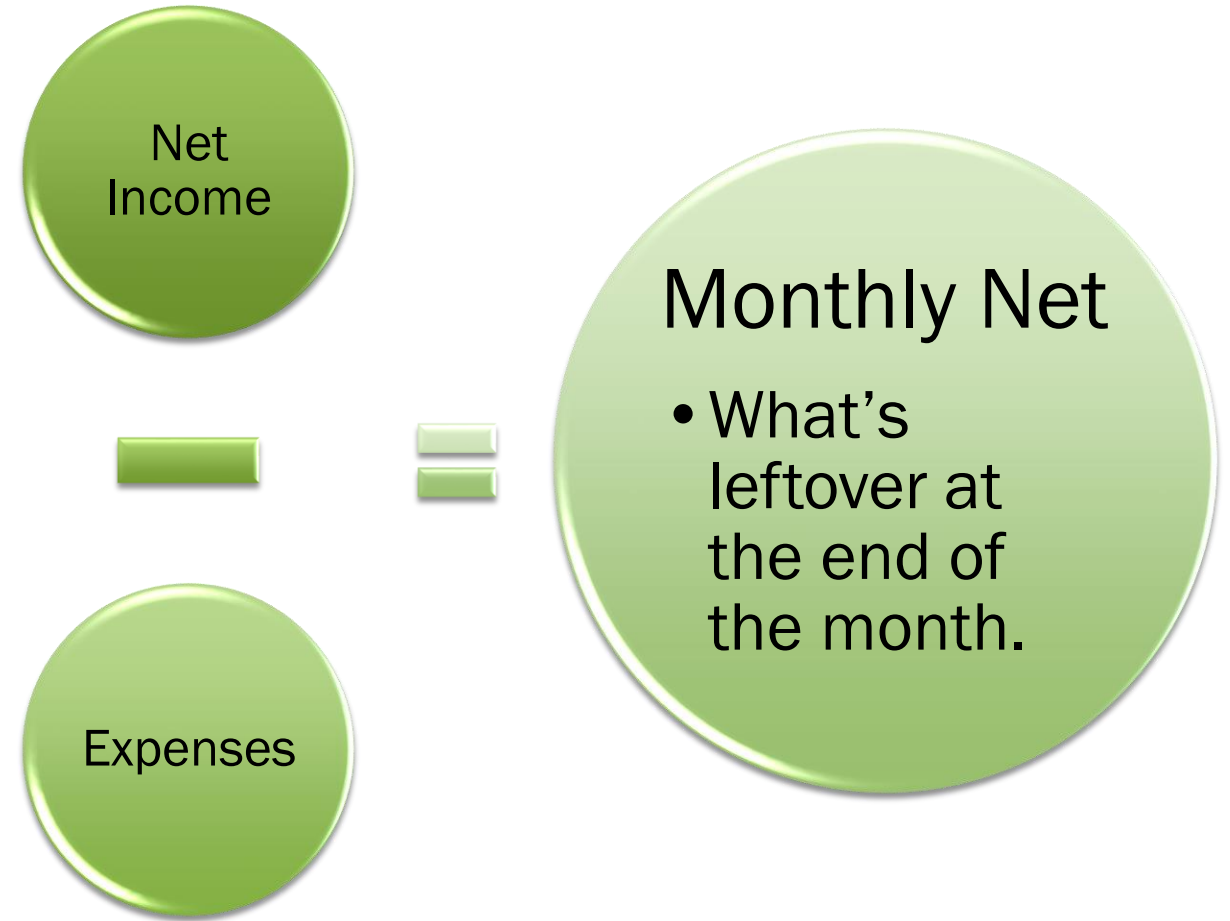
- ▶ Understand where your money comes from and where it goes.
- ▶ Avoid overspending.
- ▶ Find money for savings and investing to build your wealth.



How to develop a budget?

To develop a budget, you need to:

- ▶ Calculate all monthly income.
- ▶ Track your daily spending.
- ▶ Determine how much you spend on monthly bills.



Calculate your Disposable Income



My Total Net Income minus My Total Expenses

- If the Difference is:
 - ▶ Zero – your income equals your expenses
 - ▶ Positive – you have more income than expenses
 - ▶ Negative – you have more expenses than income

A hand is shown dropping a coin into the top of a pink piggy bank. The piggy bank is positioned on the left side of the frame. The background is a dark chalkboard with the word 'SAVE' written three times in white chalk, stacked vertically on the right side. A semi-transparent grey banner is overlaid across the middle of the image, containing the text 'Savings: Paying Yourself First' in bold black font.

Savings: Paying Yourself First



**Do something today
your future self will
thank you for**

Building good habits

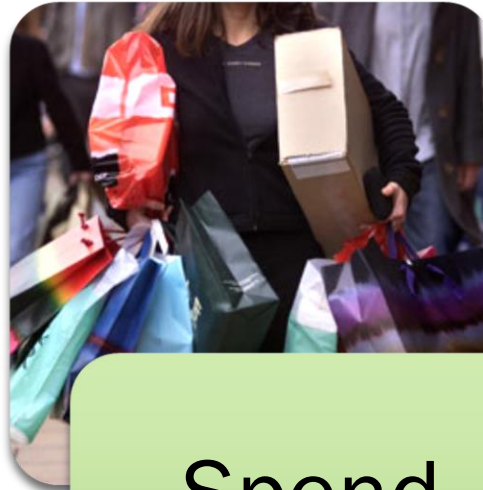
Paying yourself first gets you used to saving regularly—you learn to prioritize your savings, which become an essential part of your finances and not just a “nice-to-have”



When do We Save?



Pay Bills



Spend
What's
Left



Save

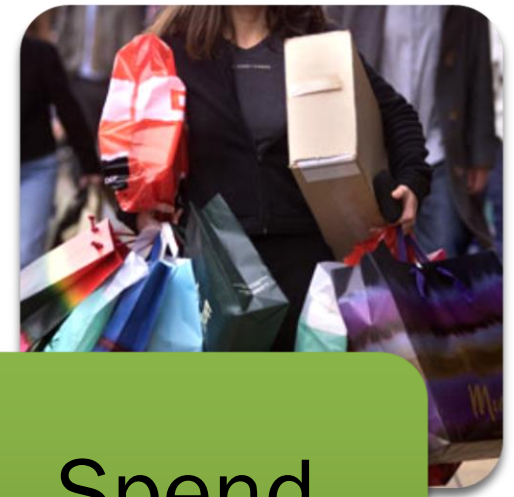
When are we suppose to Save?



Save



Pay Bills



Spend
What's
Left

Tips On Paying Yourself First.



Set up direct deposit from paycheck to savings.



Set up automatic transfer from checking to saving.



Set up a savings account that's out of sight out of mind.



Increase savings amount when your income increases.



Save extra income. Ex. Bonuses, tax refund, side gigs, gifts, etc.

3 types of saving

Put and Take

Emergency

Long Term

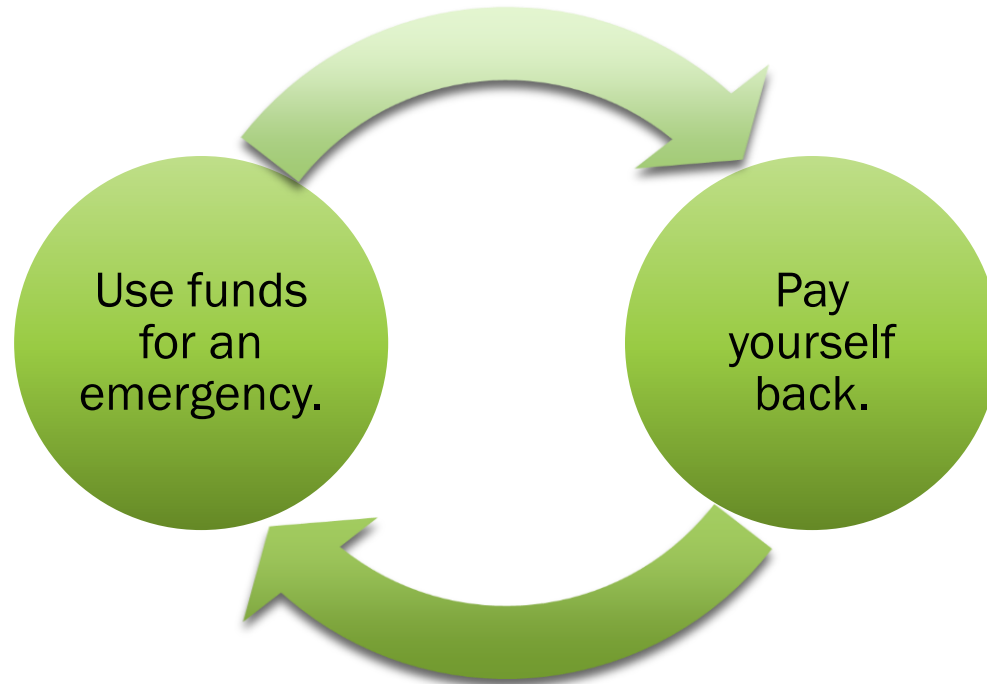


Emergency Funds

- ▶ An **emergency** fund is a separate **savings** or bank account used to cover or offset the expense of an unforeseen situation.
- ▶ Small savings of \$1000-\$2000 to cover small emergencies.
 - ▶ Car repairs, medical emergencies, etc.
- ▶ Large savings for a lost or reductions in income.
 - ▶ 3-6 months of expenses
- ▶ Set rules for what expenses are considered emergencies.
- ▶ Having an emergency savings reduces the likely of needing credit for emergencies.



How to maintain your emergency fund?



A close-up, shallow depth-of-field photograph of a gold-colored credit card. The card is positioned diagonally across the frame. In the foreground, the embossed numbers '0137' and '0137' are visible on the card's surface. A semi-transparent dark grey rectangular box is overlaid in the center of the image, containing the text 'Credit Basics' in a bold, black, sans-serif font. The background is a warm, golden-yellow bokeh, suggesting a light source or a blurred surface.

Credit Basics

Why Credit Is Important

- ▶ Better interest rates
- ▶ Employment
- ▶ Insurance
- ▶ Utilities
- ▶ Rent

Good Credit Saves Money, Bad Credit Costs Money!

Credit Report

Your Credit Score is:

765

250

Credit Rating: Excellent

Excellent:
Good:

Uncertain:
Poor:

700
500
350
300

What Is A Credit Report

- ▶ Your Credit Report is a history of your interactions with creditors over the last 7-10 years.
- ▶ 3 Credit Reporting Agencies
 - ▶ Transunion, Equifax, and Experian
- ▶ Your Credit Score is a number based on your report. It is the likelihood of paying back the lender.

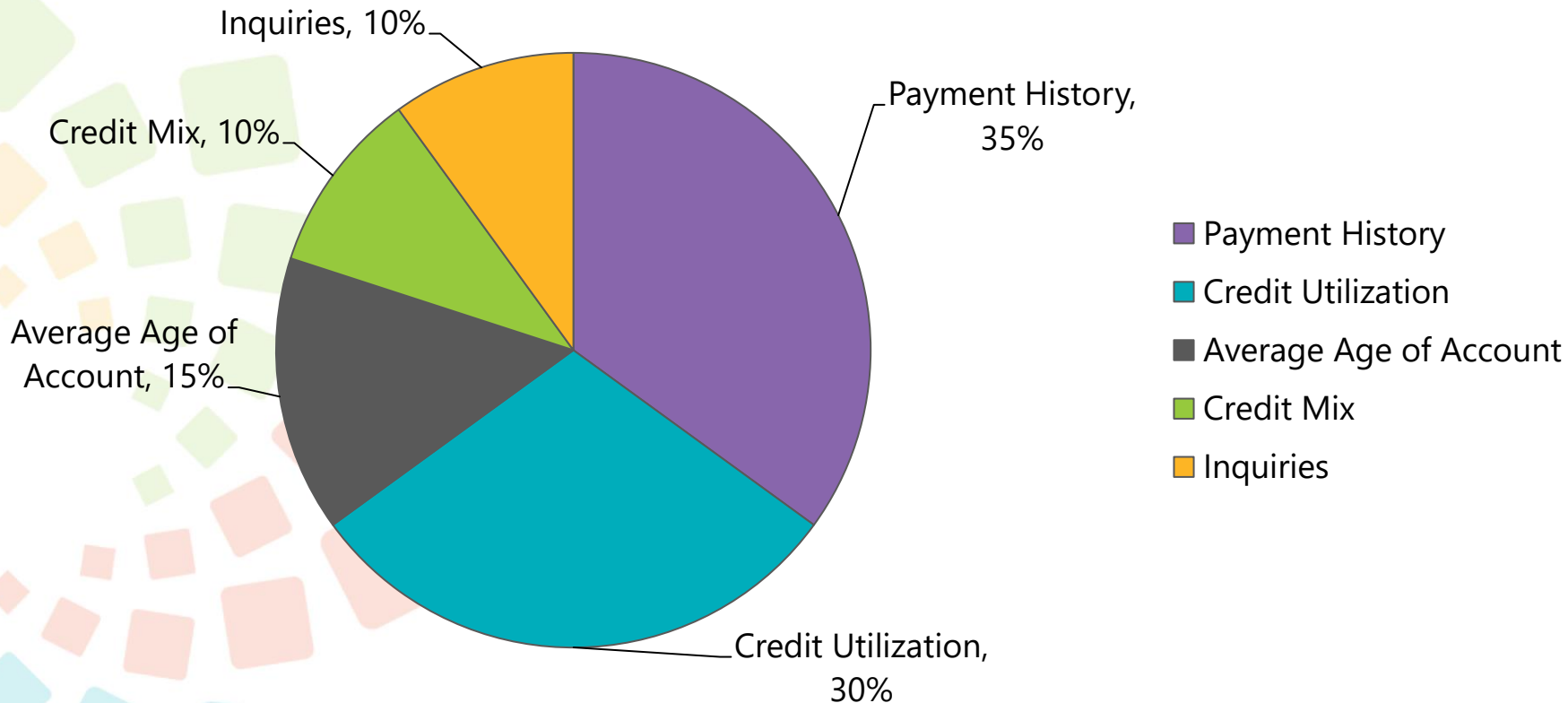
How Long Does Debts Effect Your Credit History?

- ▶ The rules for the reporting of debts can be found in the Fair Credit Reporting Act, or FCRA. The act states that most negative items must be removed from your credit report seven years from the first date of delinquency.
- ▶ Chapter 7 bankruptcy filings (10 years).
- ▶ Judgments (seven years or until the state statute of limitations expires, whichever is longer).
- ▶ Money owed to or guaranteed by the government (unpaid taxes or student loans stay on your report indefinitely or until seven years from the date paid).
- ▶ Inquires remain on your credit report for 2 years.

YOUR CREDIT SCORE

► FICO Score

- Range is from 300 – 850
- 640 is the magic number
- Helps lenders determine what type of borrower you are



Calculating Credit Utilization

my

UTILIZATION

$$\frac{\$600}{\text{balance}} \div \frac{\$1000}{\text{limit}} = \frac{0.60}{\text{answer}}$$

Take the answer from above and
move the decimal points 2 spots
to the right

60. %
utilization



Evolve Credit Solutions
THANK ME LATER

my

UTILIZATION

$$\begin{array}{c} \text{Card 1} \\ \text{Balance} \end{array} + \begin{array}{c} \text{Card 2} \\ \text{Balance} \end{array} + \begin{array}{c} \text{Card 3} \\ \text{Balance} \end{array} = \begin{array}{c} \text{Total Card} \\ \text{Balance} \end{array}$$

$$\begin{array}{c} \text{Card 1} \\ \text{Limit} \end{array} + \begin{array}{c} \text{Card 2} \\ \text{Limit} \end{array} + \begin{array}{c} \text{Card 3} \\ \text{Limit} \end{array} = \begin{array}{c} \text{Total Card} \\ \text{Limit} \end{array}$$

UTILIZATION MUST STAY UNDER 30%

What affects your credit score?

Increases Score

On time payments to open accounts.

Keeping credit card balances under 30% of the credit limit.

Keep inquiries to a minimum

Have a good mix of credit

Having years of positive credit history

Late or missed payments

High balances on credit cards

High number of inquiries

Collection items

Too short credit history or no credit history

Decreases Score

Building Blocks for Good Credit

- ▶ Develop a budget and stick to it. Getting a new credit card does not mean you have more income.
- ▶ Save money so you're prepared for a rainy day or a big purchase.
- ▶ Pay your bills on time.
- ▶ Keep credit card balances low or aim to pay off monthly.
- ▶ Check your credit annually and dispute incorrect information.
- ▶ Only borrow what you can afford to pay back within 30 days.
- ▶ Protect your identity.

Credit Score



Financial Coaching at Family Houston is Here to Help

- ▶ Discover how to make your hard-earned money go further.

When You are Ready To..



Budget
Your
Money



Get Out of
Debt



Increase
Your Credit
Score



Build Your
Savings



Buy a Car
or a House

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