

# Preparing to Buy Your Home in San Diego

- Check your credit score.** Your credit score is one of the most important factors that lenders use to determine whether to approve you for a mortgage and what interest rate to offer you.
- Set a budget.** To set a budget, calculate your monthly income and expenses. Financial experts generally recommend that you spend no more than 28% of your gross monthly income on housing costs, including your mortgage payment, property taxes, and homeowners insurance. This is known as the 28/36 rule, which also states that your total debt payments should not exceed 36% of your gross monthly income. \*In San Diego the average is closer to 45%.
- Save for a down payment.** 3.5% down for an FHA loan, 5% down for a conventional loan. Why does everyone think you it's 20% down? \*When you put 20% down and you no longer have to pay private mortgage insurance. Don't forget closing costs. An over estimate for closing costs is 2% of the purchase price.
- How To "Live Like You're Paying Your Mortgage" and Save For Your Down Payment.** Look online on homes you would consider buying. Most internet home search sites have a month payment calculator. Take the monthly payment of the house you like and subtract your current rent.

|           |                            |
|-----------|----------------------------|
| \$5,000   | Mortgage                   |
| - \$3,000 | Current Rent               |
| <hr/>     |                            |
| \$2,000   | High Yield Savings Account |

After 3-6 months you will have lived as if you were paying the \$5,000 mortgage and you will know if that is a manageable monthly mortgage. The money in the high yield savings account is the start to your down payment.

- Get Pre-approved for a Mortgage.** Once you have a good understanding of your budget and how much you can afford to spend, you should get pre-approved for a mortgage. This will give you an idea of how much you can borrow and what interest rate you'll qualify for. It will also show sellers that you're a serious buyer and that you're likely to be able to finance the purchase of their home.
- Schedule a Home Buying Consultation.** A good real estate agent can help you find the right home for your needs and budget. They can also negotiate on your behalf and help you navigate the home buying process.
- Pay down debt.** The lower your debt-to-income ratio (DTI), the more likely you are to be approved for a mortgage and qualify for a lower interest rate. Start with high balance credit cards and auto loans.
- Avoid making any major financial changes in the months leading up to buying a house.** This includes taking out new debt, changing jobs, or refinancing existing loans.

Buying a house is a major financial decision, but it can be a great investment. By following these steps and connecting with financial professionals, you can be prepared financially and make the home buying process as smooth as possible.

**Contact me today for more information.**



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