



Joy of Money Worksheet

AM I READY TO BUY A HOUSE

Let's put you in position to figure out if and when buying a house is a decision that's right for you and your money life.

Step 1: Name Your Monthly Payment Ceiling.

What is the maximum monthly mortgage payment you can handle? For real?

\$ _____

How much do you have saved for a down payment and closing costs?

\$ _____

Step 2: Check Your Credit Score.

Look up your credit score. You can often check your credit score via your credit card company's website or you can do what I do and go directly to [Experian.com](https://www.experian.com).

If your credit score is below 670, you might spend some time building it up before you seriously consider buying a house.

Write your credit score _____



Step 3: Reality-Check the Down Payment and Closing Costs

- **Check out a few homes on real estate websites such as Zillow or Redfin that you'd actually live in and calculate the costs**, assuming you'll put 20 percent down and you'll want 5 percent extra saved for closing costs.
 - Down payment math: Price \times 20 Percent (down) + ~5 Percent (closing) = Cash Needed
 - Write the estimated cash payment: \$_____
- **Look at the website's estimated monthly payment** (this will not be your number, but it's okay to use as an estimate). Write down that estimate: \$_____
 - Do a quick check of the property tax rates for the area in which you want to buy. Most of the time you can get that info from your county, but there are some exceptions (especially in New England and some bigger cities).
 - Look up insurance cost and property taxes in your area and adjust the Zillow estimated as needed
 - Bump up the website's estimated monthly payment if you think it needs it: \$_____
- **Is that 20 percent down payment too much?** If so, use Redfin's or Zillow's payment calculator to calculate costs and monthly payment with a 10 percent down payment.
 - Check to make sure they add in mortgage insurance - if they don't, add in another \$40 to \$85 per month for every \$100,000 you are borrowing. The lower your credit score, the higher the mortgage insurance.
 - Write your new 10 percent down payment estimate: \$_____



Step 4: Play Location Tetris

- Consider a different location. How does a less-cute area—but one that is still close enough to family and friends—change the math?
- Rerun Step 3 with the price in this new location.
 - Write a new down payment estimate: \$_____
 - Write a new monthly payment estimate \$_____

Step 5: Rent Check

- Consider the difference between continuing to rent versus paying a mortgage. What are rents like in your area? Are they going up super fast? Are you in one of the expensive real estate cities (New York, San Francisco, etc.) where renting and investing is often a better bet for building wealth than buying? Use our rent versus buy calculator to check that out.
 - Find our TJOM Rent Vs Buy Calculator at joyofmoney.com/rentbuycalculator
 - Plug in the details for the kinds of homes you're looking at, see what happens if you move out sooner than you plan or if home values grow slowly, and then keep playing around.

Step 6: Is Now the Time?

- **Numbers shaky?** If you are having a hard time figuring out how to afford your likely down payment and closing costs, or your monthly payment, it might be a good time to keep saving and wait to buy.
- **Numbers work but for a house or area you don't REALLY want?** Your call, but I say be cautious.
- **Numbers work?** Or they work enough, and you think any lifestyle changes would be worth it? That's a green-ish light. Time to get a mortgage broker and Realtor and begin the hunt!