



## 4 secrets to budgeting for a home purchase

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By Michele Lerner

"If buying a home is your goal, then it needs to be your priority," says Tim Kirchner, vice president of MetLife Bank in Irving, Texas. "Most people need to sacrifice a little and stick to a budget in order to save for a home."

A good budget plan begins one or two years before the buyer makes an offer. Here are four tips for renters who plan to become homeowners:

### Build strong credit

When it comes to securing a loan at the best [mortgage rate](#), credit is king. Kirchner says people often do not realize the consequences of paying bills late or missing a payment, which can stay on your credit report for a long time.

### Save cash

Howard urges future homebuyers to make "virtual" [mortgage payments](#) today as a way to build up savings and learn to budget for actual mortgage payments down the road.

Kirchner recommends future buyers create a simple budget and set a savings goal.

"If they find they can save \$300 a month, then they will have \$3,600 at the end of the year," Kirchner says. "Lenders want to see that pattern of savings, and buyers will need at least 3.5 percent for a down payment on an [FHA loan](#) or at least 10 percent for a conventional loan."

### Reduce debt

While buyers increase their savings, they should also reduce their debt.

"Paying off debt tops saving in terms of priorities because of the interest payments on the debt, which exceeds the amount of interest they can earn on their savings," Kirchner says. "Lenders want to see that you are managing your debt and keeping your credit card balances low."

### Get educated

"A lot of people have no idea what \$100,000 or \$200,000 will buy, so the more they look at places and neighborhoods, the better understanding they will have of the value in a home," Kirchner says.

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