



HOUSING INDUSTRY EMPHASIZES RESPONSIBLE MONEY MANAGEMENT

RICHMOND, Va. (Nov. 22, 2002) – At a time when the term “fiscal responsibility” has taken on greater meaning, housing industry experts warn that a mismanaged personal budget can disrupt potential homebuyers’ plans – and possibly derail them completely.

Families need to maintain well-ordered and well-managed finances in order to prepare for the extra expense related to homeownership, including the initial down payment, monthly mortgage payments, home improvement and maintenance, property taxes, insurance as well as heating and cooling costs.

“Homeownership requires a lot of financial responsibility,” says Anne Gwaltney, manager of VHDA’s Homeownership Education Program. “If people manage their money properly, they’ll know whether they can handle that responsibility. Buying a home without knowing if you can handle the financial obligation of homeownership puts you and your family at great risk.”

Gwaltney offers these strategies for effectively managing your finances:

Save. Save the equivalent of three to six months of your basic living expenses in an accessible account that does not penalize you for early withdrawal. Do this in order to accumulate an emergency fund for expenses that occur often without warning, such as car and home maintenance or loss of income.

Protect your credit rating. Maintain a good credit rating by paying bills on time. If unable to pay, contact the creditor and make other arrangements.

Use credit for safety, convenience and planned expenses. Do not allow credit payments to exceed 20 percent of your net income and do not charge more each month than you are repaying to your creditors.

Meet your needs first. Spend money on “wants” only after basic needs have been met and keep a log of daily expenditures.

Budget. By providing a concise picture of your financial situation, a budget enables you to plan for the future, set short- and long-term financial goals, and develop a realistic spending plan.

Gwaltney offers this quick guide to preparing a monthly budget:

Set goals as a family. Determine what you as a family want to accomplish. Do you want to buy a home? Pay for a college education? Buy a second vehicle?

Prioritize those goals. Your short-term goals – paying monthly utility bills and rent, buying groceries and other frequent expenses – usually will occur in a short span of time and many may be recurring. Short-term goals will help you better allocate each paycheck you receive.

Long-term goals such as buying a house, paying for education, or paying off debt are determined by how long it will take you to accumulate the money to meet them. Developing a budget helps define a method for accumulating the money it will take to achieve long-term goals.

Track expenses. Each day for at least three or four weeks write down the amount of money you spend with a note explaining where you spent the money. Write down every dollar you spend – whether it’s cash or a check.

Categorize each expense as a fixed, flexible or periodic expense. A fixed expense is a constant part of your lifestyle such as rent, utilities and car payments. Flexible expenses,

including groceries, entertainment and clothing, may not occur every month or may vary widely from month to month. A periodic expense is one you usually do not incur monthly such as car insurance or property taxes.

Make the spending plan. Subtract your total expenses from your total monthly net income, including all sources of cash. If you account for all the expenses, including savings, the difference should be zero. If you have a positive number, you may want to consider allocating the extra money toward debt and/or savings. If you come up with a negative number, you are spending more than you make. Review the spending plan thoroughly to examine where you can trim expenses. As you follow your spending plan, be prepared to make adjustments as your needs and wants change.

“Managing your money requires discipline and perseverance but it’s something you really can’t do without when it comes to buying a home,” says Gwaltney. “Education, financial planning and keeping track of your resources are the best ways to prepare for a large financial obligation such as a mortgage.”

To learn more about money management or VHDA’s free statewide Homeownership Education Program, call 1-888-643-2696 or visit www.vhda.com/edu.

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