

Making Smart Financial Decisions



Now that you're a homeowner, it's more important than ever to maintain a budget and make smart financial decisions. These habits will help ensure you're able to make your monthly mortgage payment and meet your other financial obligations. Additionally, as you went through the homebuying process, you worked extremely hard to build your credit. As a new homeowner, you'll want to take steps to maintain and protect your credit.

► Creating and Maintaining a Budget

Creating and maintaining a budget is the first step in making smart financial decisions. A budget helps you keep track of finances and clearly lists what money comes in (for example, income) and what money goes out (for example, expenses).

■ VHDA's Spending & Savings Plan

Now that you're a homeowner, you're encouraged to maintain the personal Spending and Savings Plan you created when you attended VHDA's free First-time Homebuyer class. Using the plan can help ensure you're saving money and you know where your money is being spent. You can download a blank copy of the plan from vhda.com/SpendingAndSavingsPlan.

For more information on how to start a budget, view our "Creating a Budget" video at vhda.com/Homeowners.

■ Budget Resources

Many banks and credit unions offer budget resources and expense tracking tools. Stop by your branch to see which services and resources you have access to use.

■ Review and Adjust

Review and adjust your spending habits every few months, especially when your income and/or expenses increase or decrease significantly.

■ Track Your Expenses

- In order to create and maintain your budget, you'll need to track your expenses. A good tip is to track your expenses and purchases for one to two months in a small notebook you can carry in your pocket or a smart phone app.
- Another tip is to keep good financial records (such as paper copies and digital copies) in a secure fireproof and waterproof storage box.
- Saving receipts can help you identify where your money actually goes each month.

► Maintain Your Credit

Another important tip is to take steps to maintain and protect the credit you worked hard to build.

- Debt can accumulate quickly, so avoid shopping and payments made on credit when possible. It's better to save up for major purchases so you can avoid the interest charges which come with buying on credit.
- If you do purchase items on credit, be sure you thoroughly understand the terms of the purchase and what your obligations are (for example, deferred interest and deferred payments).
- New homeowners often receive solicitations and offers for credit cards, refinancing, and second mortgages. It's a good idea to consult with a housing counselor before agreeing to any of these offers or before entering into a payday lending or title loan contract.
- You must make your payments towards your debt when they are due. Late or missed payments can negatively impact your credit.

HOUSEHOLD SPENDING & SAVING PLAN			
FAMILY SIZE		FLEXIBLE EXPENSES	
Adults	_____	Savings	Now _____ With House _____
Children	_____	Groceries/Food Delivery	_____
NET MONTHLY INCOME		Eating Out (work, etc.)	_____
Source 1	Now _____ With House _____	Entertainment/Hobbies	_____
Source 2	_____	Laundry/Dry Cleaning	_____
Source 3	_____	Clothing	_____
Total Income (A)	_____	Cleaning Supplies	_____
FIXED EXPENSES		Auto Gas/Electric	_____
Rent/Mortgage	Now _____ With House _____	Auto Maintenance	_____
Electric	_____	Ride Sharing or Service	_____
Gas/Oil	_____	Parking/Tolls	_____
Water/Sewer	_____	App Purchase	_____
Cell/Home Phone	_____	Alcohol/Cigarettes	_____
Streaming Services	_____	Church/Charity	_____
Internet Service	_____	Tuition/Books	_____
Trash Pickup	_____	Barber/Salon Services	_____
Television Services	_____	Membership (Gym, etc.)	_____
Medical Insurance	_____	Doctor/Dentist	_____
Auto Insurance	_____	Pets	_____
Life Insurance	_____	Lottery/Bingo	_____
Renter/Home Insurance	_____	Lawn Care	_____
Child Support/Alimony	_____	Maintenance/Repairs	_____
Child Care	_____	Other	_____
HOA/Condo Fees	_____	Total Flexible (D)	_____
Other	_____	EXPENSES	
Total Income (B)	_____	Fixed (B)	_____
DEBT PAYMENTS		Debt (C)	_____
Automobile Loan	Now _____ With House _____	Flexible (D)	_____
Other Loans	_____	Total Expenses (E)	_____
(Personal, furniture, etc.)	_____	Subtract Expenses from Income (A - E)	
Student Loans	_____	Total Income (A)	_____
Major Credit Cards	_____	Total Expenses (E)	_____
Other Purchase Cards	_____	Difference + or -	_____
(Dept. store, Gas etc.)	_____	Applicants Signature: _____	
Total Debt (C)	_____	Applicants Signature: _____	
<small>CERTIFICATION: I hereby certify that I have reviewed the above budget with the applicant(s) and concur that it is reasonable. Lender or Counselor Signature: _____</small>			

Sample Spending and Savings Plan Worksheet

▶ **Cosigning a Loan**

- Once you become a homeowner, family members or friends may request that you cosign a loan or credit account on their behalf. To cosign a loan means your credit score is checked to help your family member or friend become approved for the loan or credit account. Also, it means you legally agree to take over their payments toward the loan or credit account if they stop making payments.
- Loans or credit accounts you cosign will show on your credit report, impact your credit score, and increase your debt-to-income ratio (or DTI). Additionally, with most loan or credit accounts, you are not able to remove yourself from the debt or remove yourself as the cosigner.
- If you're asked to cosign for a family member or friend, discuss the terms and all your options with a military financial educator or a HUD housing counselor.

▶ **Be Proactive**

Be proactive in planning how you will save and spend your money.

- "Pay yourself" first and arrange for a portion of your income to be direct deposited into your emergency savings account. Any amount you can realistically save is better than not saving at all.
- Prioritize your needs versus your wants when it comes to how you choose to spend your money.
- Identify recurring expenses, or expenses you know come up around the same time each year, and plan early to save for them.
- Set immediate goals, short-term goals, and long-term goals for how you want to use your money.

▶ **Have Fun While Stretching Your Dollars**

Saving your money and planning ahead of time how you will spend it doesn't mean you can't still have fun. When you do spend your money on activities, try to stretch your dollars as much as possible.

- Use coupons when making purchases.
- Another tip is to use websites and apps to check for deals and special discounts for merchants and activities in your area.
- Change your habits to take advantage of advertised promotions from businesses you frequent (for example, going to a restaurant on a weekday when kids eat free instead of on a weekend). If available, you might want to also join the loyalty customer program offered by some businesses, in order to receive store credits or special discounts.