

So, You Want to Buy a Home; Now What????



Presented by Consumer Credit
Counseling Service of Kern &
Tulare Counties

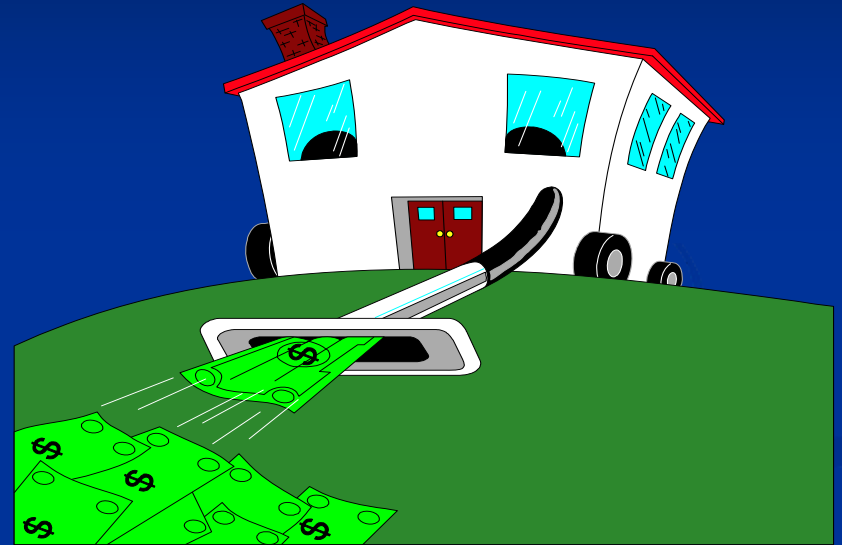
The American Dream- Why is it so great?

- Build EQUITY=the current value of your home minus what you owe on it.
- Get a TAX DEDUCTION on a portion of the interest you pay and on 100% of the real estate taxes you pay.

HOME
Sweet
HOME

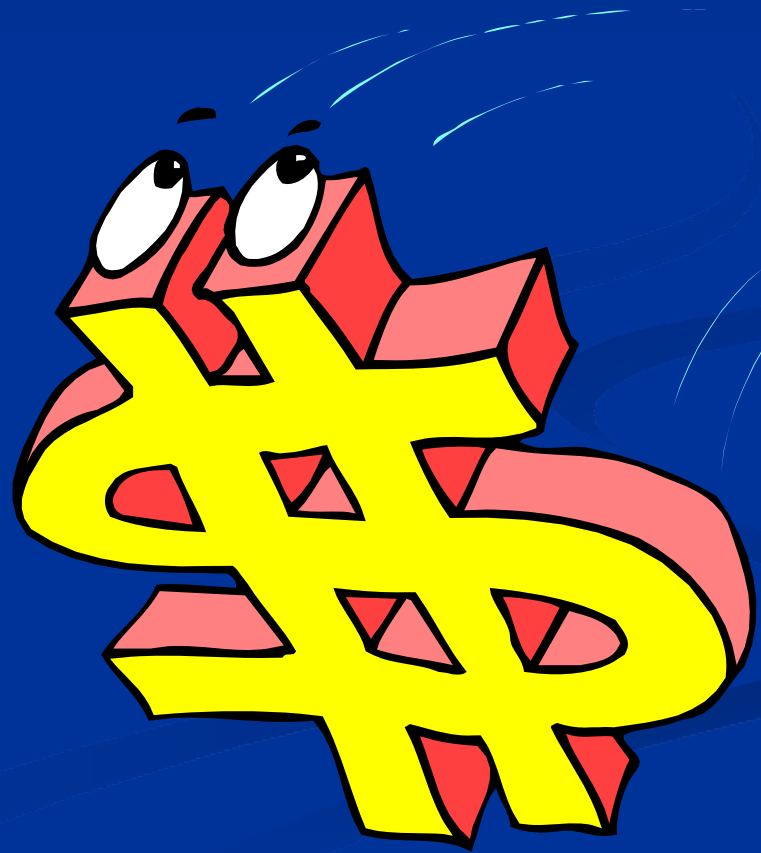
One-Time Costs

- Down payment
- Real estate lawyer
- Title insurance
- Closing costs
- Decorating allowance
- Professional home inspection



Month-to-Month Costs

- Mortgage payments
- Homeowner's insurance
- Property taxes
- Utilities
- Heat
- Water
- Pest Control
- Repairs
- Maintenance



How Do I Figure Out How Much I Can Afford?

- BUDGET
- BUDGET
- BUDGET



Budgeting Basics



GET KNOWLEDGE ABOUT MONEY AND CREDIT ISSUES

KNOW WHAT YOU WANT FINANCIALLY- GOALS

UNDERSTAND YOUR CHOICES ABOUT MONEY AND CREDIT

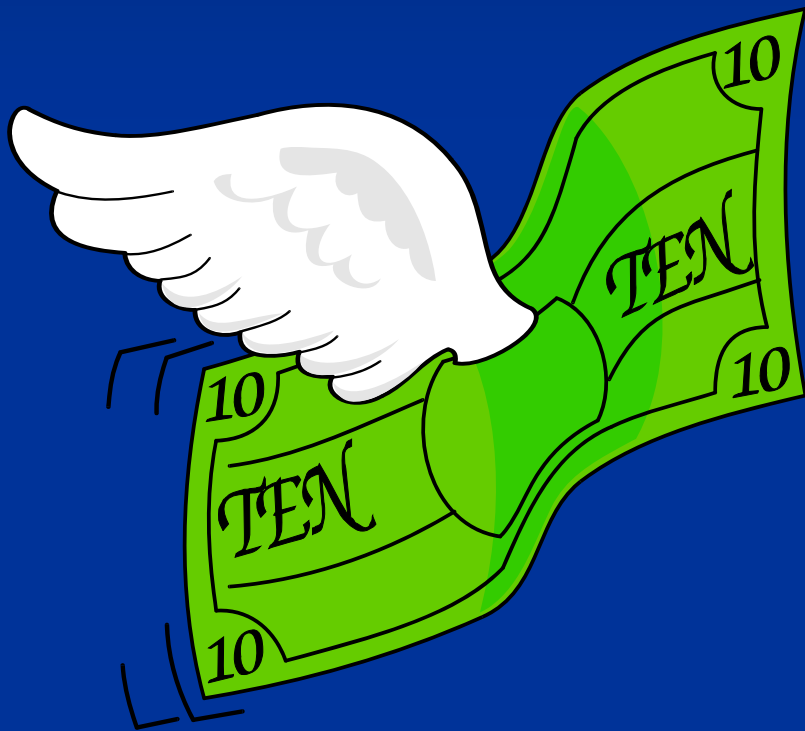
SET A SPECIFIC PLAN THAT WILL HELP YOU REACH YOUR FINANCIAL GOALS



- *START TRACKING ALL EXPENSES*
- *INCLUDE SAVINGS/RESERVES IN YOUR PLAN*
- *INCLUDE YOUR GOALS IN YOUR PLAN*
- *PLAN TO PAY OFF DEBT*
- *PLAN FOR PERIODIC EXPENSES*
- *RE-WORK YOUR GOALS AND PLAN OFTEN*



FIND SPENDING LEAKS



- WRITE DOWN EVERY CENT YOU SPEND FOR A MONTH AND ADD UP THE TOTAL.
- IDENTIFY ANY LEAKS.
- GIVE ALLOWANCES.

MY MONEY GOALS



SHORT-TERM

Goal:

Action Plan:

Goal:

Action Plan:

Goal:

Action Plan:

LONG-TERM

Goal:

Action Plan:

Goal:

Action Plan:

Goal:

Action Plan:

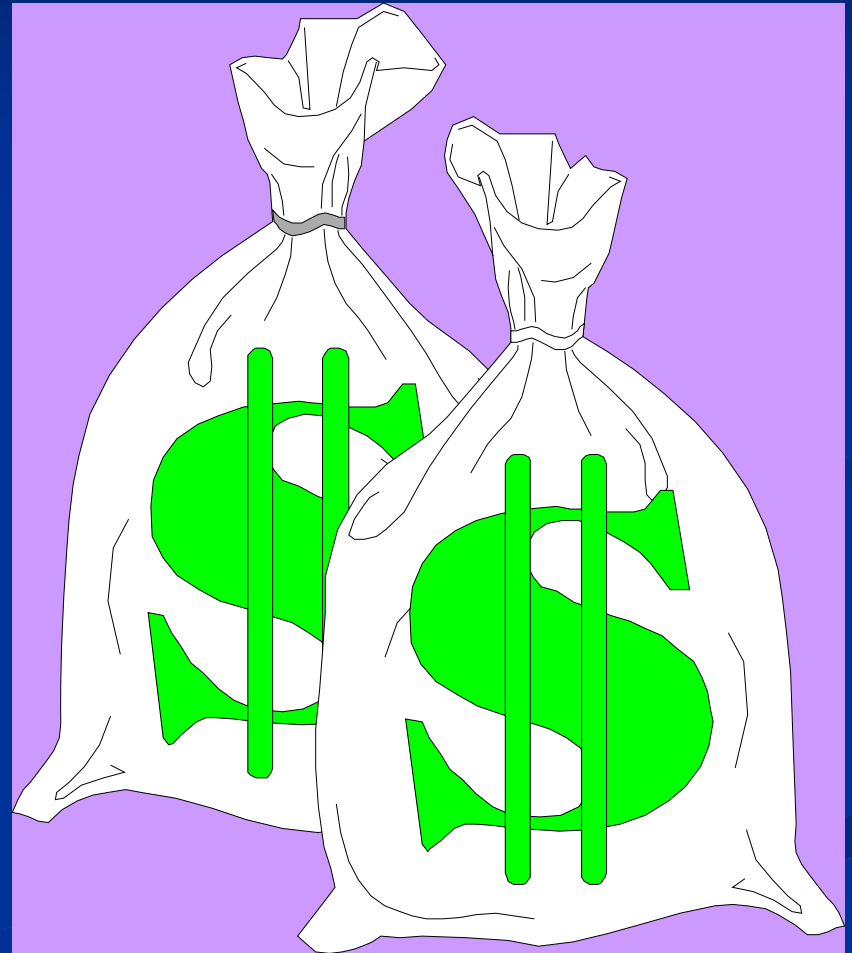
YOUR GOALS SHOULD BE SPECIFIC.

NON-SPECIFIC GOAL- I WANT TO BE RICH SOME DAY.

SPECIFIC GOAL- I WANT TO HAVE \$20,000 SAVED WITHIN 20 YEARS.

HAVE A CASH RESERVE

- Financial experts recommend up to six months' living expenses in cash.
- Gives sense of security and peace of mind.
- Requires self-restraint in spending.



THINK ABOUT IT

CREDIT CARD

BALANCE= \$5000

APR= 17%

2% min. payment=
\$100/month

Payoff time= 40 years

Total pay out= \$16,304

Interest=\$11,304



THINK ABOUT THIS

INVEST \$1000/YEAR

for 30 years

Earn 8% average interest each year

TOTAL invested= \$30,000

TOTAL value= \$122,346

TOTAL interest= \$92,346

WOW!!!!!!!

HAVE A PROVISION FOR LARGE OR PERIODIC EXPENSES

INCOME TAXES

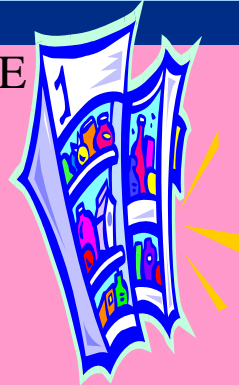
INSURANCE
PREMIUM

NEW APPLIANCE

DOWN PAYMENT

HOLIDAY
SPENDING

PROPERTY TAXES



TAKE ALL YOUR BIG ITEMS AND DIVIDE THE TOTAL BY 12. THIS 1/12TH SHOULD BE RESERVED EVERY MONTH.

The Facts About Real Estate Agents

- They help you buy or sell a house.
- They can help you find houses in your price range and make your search process easier.
- They can introduce you to mortgage brokers and home inspectors.
- They charge a commission.

Smart Questions to Ask

What kinds of services are provided/available? (fire, hospital, recycling, etc.)

How close are the shops?

Are there zoning laws you need to be aware of?

What is average class size at the schools?

What are insurance rates and crime rates in the area?

Local Property Taxes

- The MLS sheet will give you important information about taxes in the area you are considering.
- Taxes DO vary from area to area.
- Taxes are based on the assessed value of your house.
- Remember, most first time homebuyers have taxes included in their monthly payment.



Watch Out!

■ CRIME RATINGS

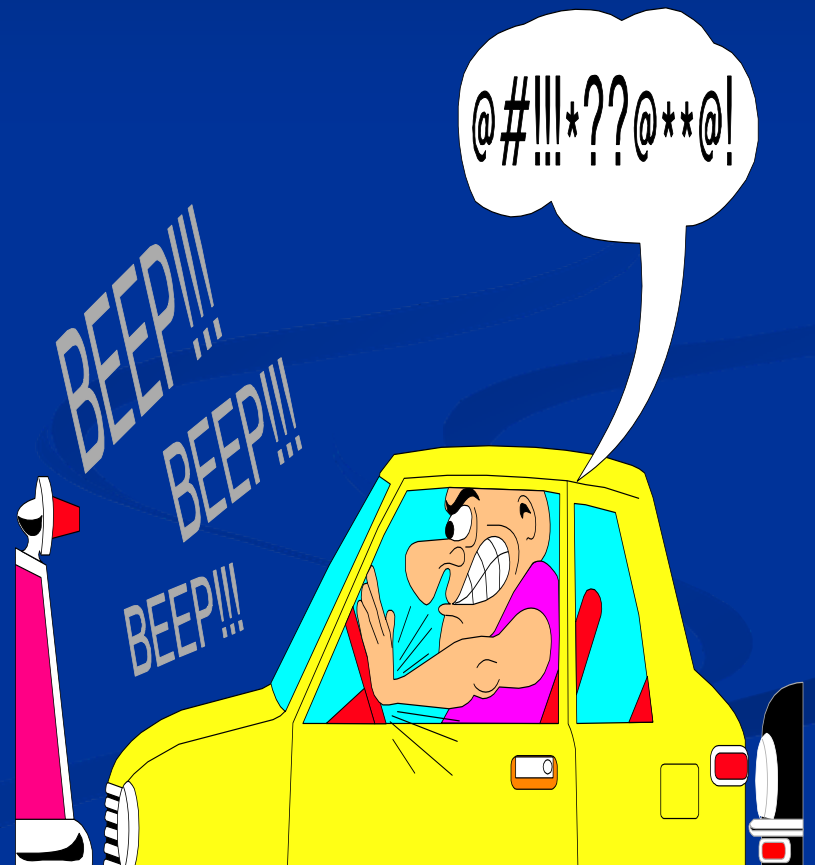
- www.homeadvisor.msn.com
- www.realtor.com
- visit the community at different times of day

■ TRAFFIC

- visit the community at different times of day

■ VISUAL EVALUATION

- neat yards
- potholes
- trash



It Takes a Mortgage to Make Your Dream Come True

- **MORTGAGE:** The bank lends you money to buy the house, and you pay off the *principal* of the loan at an agreed upon *interest rate*.

Conventional wisdom says your house shouldn't cost more than 2.5 times your income. This means that if you make \$60,000 a year, you **MAYBE** can afford to spend \$150,000 on a house.

Mortgages

- MORTGAGE= a loan you receive to help you buy a house.
- PRINCIPAL= the actual amount of money you are borrowing.
- INTEREST RATE= the cost of borrowing that money- expressed as a percentage.
- ANNUAL PERCENTAGE RATE= the TOTAL cost of borrowing money, including interest, fees and closing costs.

Does the Interest Rate Really Matter?

Mortgage Amount= \$141,620

Term= fixed, 30 years

Interest Rate= 8.4%

Monthly Payment= \$1088.94

versus

Interest Rate= 6.5%

Monthly Payment= \$895.13

The savings is almost \$70,000!!!!



What Will Lenders Want to Know

- Assets
- Liabilities
- Income

- Your biggest asset is probably your income.
- Your biggest detriment could be your debt load and/or credit history.



A Clean Credit Report- A Major Lender Requirement

- Personal Identifying Information
- Public Record Information
- Account Information
- Inquiries

www.annualcreditreport.com

■ Experian

- 1-888-EXPERIAN
- 1-888-EXPERIAN (fraud #)
- www.experian.com

■ TransUnion

- 1-800-916-8800
- 1-800-680-7289 (fraud #)
- www.tuc.com

■ Equifax

- 1-800-685-1111
- 1-800-525-6285 (fraud #)
- www.equifax.com



Before You Apply

- Check your own credit.
- Compare interest rates.
- Correct any inaccuracies.
- Collect bank statement and tax returns.
- Research mortgages.

Additional Information



- One-on-one homebuyer counseling
- HUD-approved homebuyer education
- Credit Report Review
- Credit and Budgeting Education
- Credit Counseling
- One-payment Debt Management Plans