



Opening the Door to Homeownership

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Owning a Home





Owning a Home





Owning a Home

People in U. S. move to new homes every 7 years.



Owning a Home





Owning a Home





Owning a Home

- Set realistic goals
- Plan carefully
- Understand costs involved



Advantages

A place of your own Financial incentives

- Equity
- Fixed rate mortgage payments
- Increased value
- Tax benefits



Disadvantages

- High cost of homeownership
- Possibility of foreclosure
- Decreased mobility
- Repairs and maintenance



Owning a Home

Can you **AFFORD** to buy
a house?

Estimate your future costs



Costs of Purchasing a House

Upfront Costs:

- Down payment
- Closing costs
- Settling-in costs



Costs of Purchasing a House

Ongoing Costs:

- Monthly mortgage payment
- Taxes and insurance
- Other costs



Buying Power

- How much you make
- How much you have available for the down payment and closing costs
- How much a financial institution will agree to lend you



Borrowing Power

Lenders traditionally use two qualifying guidelines:


- Monthly housing costs total no more than 28% of monthly gross before-tax income.
- Monthly housing costs plus other long-term debts total no more than 36% of monthly gross income.



Credit


What's Your Credit History?

Credit is...
The use of future money

 **Credit**


Types of Credit

- Sales
- Credit cards
- Service
- Loans

 **Credit**

Advantages of Credit

Convenient	Saves Money
Emergencies	Credit History
Down payment	Mail Orders
Travel	
Protects against fraud	
Use of item while paying for it	

 **Credit**

Disadvantages of Credit

- Pay interest
- May buy more than can pay
- Ties up future income
- Monthly payments tie up money for other needs



Qualifying for Credit

Five "C's" of Credit

- Character
- Collateral
- Capacity
- Capital
- Conditions



Credit Report

Your credit report contains information about you



Credit

Major Reporting Agencies

Equifax
Experian
TransUnion



Credit History

70% of credit reports contain errors
 25% contain serious errors
 54% contain inaccurate personal information
 10% look at their credit report annually



Credit

Credit Score -

is based on a summary
 of your credit history



Credit

What Creditors May Consider

- Your current income
- Savings & investments
- Occupation
- Length of time at present job
- Amount of money owed



Mortgages

What is a Mortgage?

A mortgage is a loan or lien on a property that has to be paid over a specified period of time.



Mortgages

Sources of Mortgage Loans

- Savings and loan associations
- Commercial banks
- Mortgage companies
- Federal credit unions
- State & local housing finance authorities
- Financial companies



Mortgages

Types of Loans

Conventional
Government-backed



Mortgage Loans

Conventional Loans

Private mortgage insurance companies provide the insurance that protects the lender or investor in case you default on the loan.



Mortgage Loans

**Government - insured and
Government - guaranteed loans:**

Three programs are available through the federal government



Mortgage Loans

Federal Housing Administration (FHA)

Mortgage insurance program operated by HUD



Mortgage Loans

Veteran Administration (VA)

Loan guarantee program



Mortgage Loans

The Rural Housing Service (RHS)

Offers low- and no-down-payment loans to low- and moderate-income persons



Mortgage Loans

Fannie Mae

Provides financial products and services for low-, moderate-and middle income families to buy homes on their own



Credit

Freddie Mac

Works with mortgage lenders to help people get lower housing costs



Mortgages

Fixed-rate Mortgage


Interest rate remains the same for the life of the loan




Mortgages

Adjustable-rate Mortgage

Interest rate adjusted according to the market rate


 **Mortgages**

Interest-only Mortgage

 **Mortgages**

Minimum Monthly Payment Plans

Advertised as:
\$200,000 for \$XXX/Month

 **Mortgages**

Adjustable-Fixed Hybrids

Combination fixed rate
and ARM loan



Mortgages

Balloon mortgage

Fixed term specified with remaining balance of loan due at the end of loan



Mortgages

Jumbo Loans


Non-conforming loans



Mortgages


What else is new in Loans?

- 40-50 year mortgages
- 100+ home loans
- Zero down



Mortgages

Compare loan terms



Shop

for the Best Mortgage


Know...

- Your credit score
- Settling-in costs
- Type of mortgage
- Points
- Down payment
- Interest rate
- Closing costs
- Other loan terms



Homeownership

Are You ready for Homeownership?



Homeownership

????
