

Realizing the American Dream

**Are You Ready
to Buy a Home?**



Contents

- Overview of organization's programs & services
- Is owning a home right for you?
- How do you buy a home?
- Mortgage payment and other costs of ownership
- How much can you pay for a house?
- Ratios
- Are you ready to buy a home?
- Next steps

Homeownership Information Center

- Home Ownership Orientation
- Home Buyer Education
- Financial Education
- Credit Checks
- Home Owner Education-Predatory Lending
- Public Computers
- Interactive website: www.hic-at-hri.org

Advantages of Home Ownership

- Stable housing costs
- Tax benefits
- Equity
- Control over your environment
- Stability

Disadvantages of Home Ownership

- Monthly costs
- No guarantees
- Maintenance and repairs
- Decreased mobility
- Fewer features included

Steps in the Homebuying Process

1. Prepare for home ownership
2. Determine how much you can afford to spend
3. Get your loan preapproved
4. Decide what kind of home you want and need
5. Shop for a home

Steps in the Homebuying Process (2)

6. Make an offer
7. Get a professional home inspection
8. Apply for a mortgage loan
9. Get insurance and have additional inspections
10. Close the loan

Your Homebuying Team

- Real Estate Agent
- Lender
- Attorney
- Escrow Officer
- Title Insurance Officer
- Housing Inspector
- Appraiser
- Surveyor
- Insurance Agent
- Housing Counselor

What Does a House Payment Include?

- Principal
- Interest
- Taxes
- Insurance

What Other Costs Should You Expect?

Upfront Costs

- Down payment
- Closing costs
- Escrows
- Reserves
- Moving costs

Ongoing Costs

- Mortgage payment
- Utilities
- Maintenance and repairs

The 4 Cs of Credit

- Capital
- Capacity
- Credit History
- Collateral

Capital

- Down Payment
- Loan Fees
- Closing Costs
- Escrow Impounds
- Reserves
- Moving Expenses

Capacity

- Current income
- Income history and future earning potential
- Amount owed
 - Installment accounts
 - Revolving charge accounts
 - Other monthly payments

Credit

- Do you pay your bills regularly and on time?
- Do you owe too much? (Is the ratio of your debt too high compared to your income?)

Collateral

- Is the house worth what you are paying for it?

Ordering Your Credit Report

- Experian www.experian.com
(888) EXPERIAN (397-3742)
- TransUnion www.transunion.com
(800) 916-8800
- Equifax www.equifax.com
(800) 685-1111

How Much Can You Afford?



Income



Debts

2.5-3 times

A yellow arrow pointing from the income circle towards the home price star.

\$75,000-
\$90,000

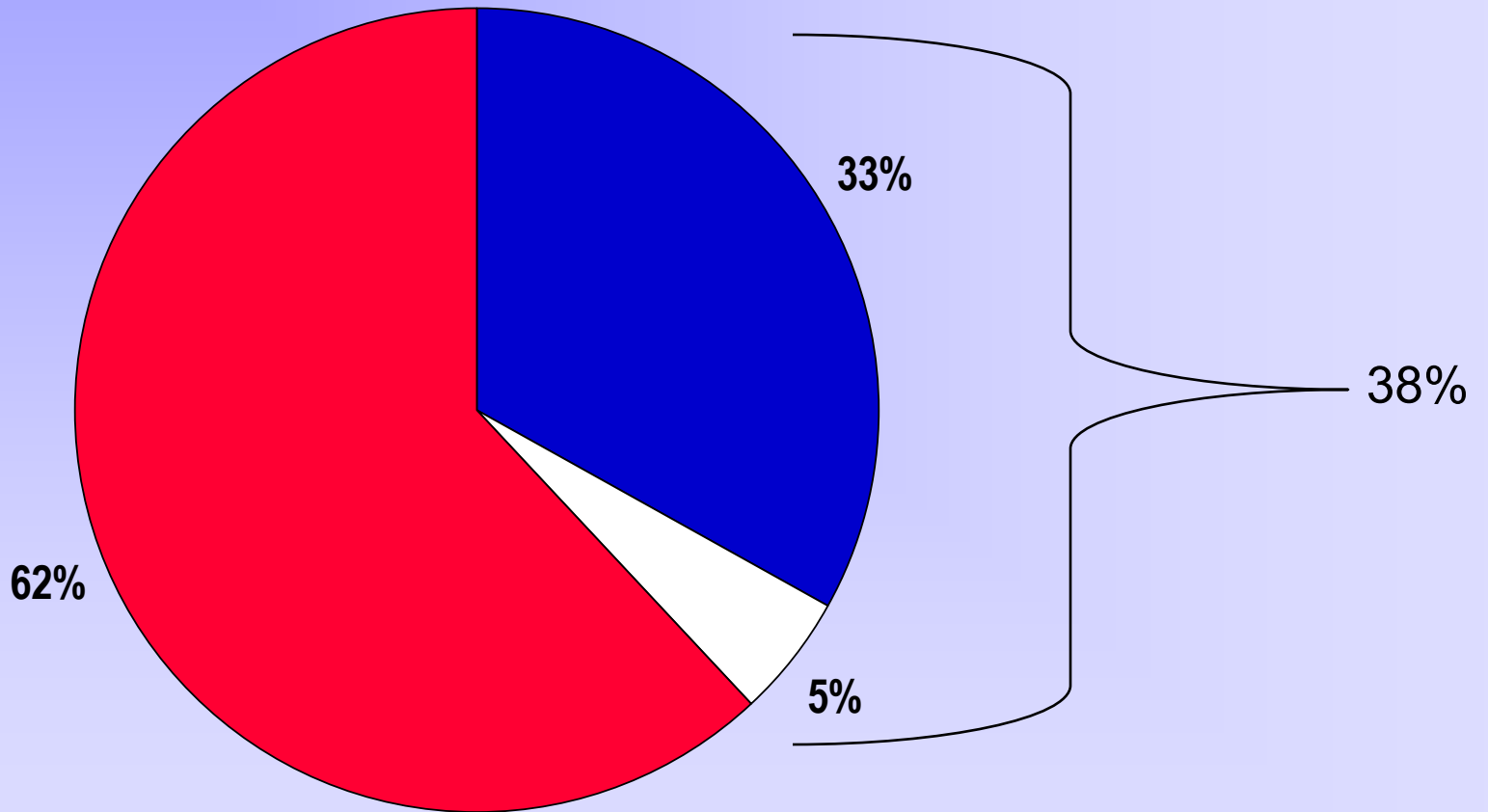
A red five-pointed star with a black outline containing the text "\$75,000-" and "\$90,000" in white font.

Home Price

Ratios

- **Housing Ratio**= maximum % of gross monthly income that can be used for a monthly mortgage payment
- **Debt-to-Income Ratio**= maximum % of gross monthly that can be used for the house payment plus all other debts

Ratios (2)



Prequalification

A lender, using calculations that include housing affordability ratios will estimate:

- How much money the lender will loan you
- What price home you can afford
- How much down payment you need
- How much your monthly payments will be

This is not a guarantee

Summary

- Do you make enough money?
- To borrow enough money?
- To afford the home that you want?

If not, you may want to wait until you are ready. Or you may want to change your goals.

Summary (2)

- Do you have enough money for a downpayment?
- Do you have enough money to pay for closing?
- Do you have enough money to make the mortgage payments?

If not, do you have help? Otherwise you may need to wait until you are ready.

Summary (3)

- Pros and cons of ownership
- Key steps and professionals involved in the homebuying process
- Mortgage payment and other costs
- How lenders determine creditworthiness and affordability
- Prequalification

Next steps

- Sign up for education or counseling
- Order copies of your credit report

Are You Ready?

Brought to you by:

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