

Home Ownership 101[®]

Financial Classes
Personal Coaching

Home Ownership 101[®]


Today we'll talk about...

- How home ownership can work for you
- Today's loan programs
- Helping you with your next step

Let's get started!

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Home Ownership Is Right for You



If you have...

- A reliable source of income
- Credit history
- Manageable debt
- Money for down payment and closing costs

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What is a Mortgage?



Your personal guarantee

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How Much Can You Afford?

Housing Expense Ratio

Equal to or less than 25% of monthly gross income.

Debt-to-Income Ratio

Percentage of total debt vs. monthly gross income (varies by lender).

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Old Way of Lending

- 0% - 10% for down payment
- Credit problems ok
- No mortgage insurance
- Stated Income Stated Assets (SISA)

New Way of Lending

Most homebuyers are in this situation

- 10-20% for down payment/closing cost
- Reasonable to good credit required
- No financial assistance available from family
- Too many or too few lines of credit
- Full Income Full Assets (FIFA)

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Information Needed for a Loan Application

- Employment information
- Pay stubs
- Bank statements
- Retirement account statements
- W-2 Forms

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Today's Loan Programs

- Traditional lenders require 80% loan to value (LTV)
- FHA Down Payment Assistance
- Some loans offer interest-only features

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Fixed or Adjustable Rate?

Fixed-Rate Mortgages

Interest rate never changes during the life of the loan.

Adjustable-Rate Mortgages (ARMs)

Payments based on a low initial interest rate. After the initial period, the interest rate can adjust, if current rates are higher.

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Fixed Rate Terms

<p>15-Year Term</p> <ul style="list-style-type: none"> • Higher monthly payments • Interest rate usually lower • Builds equity faster
<p>20-Year Term</p> <ul style="list-style-type: none"> • Builds equity faster than a 30-year mortgage • Pay less interest, compared to a 30-year term
<p>30-Year Term</p> <ul style="list-style-type: none"> • Interest rates may be higher than shorter term loans • Pay more interest, compared to a 15 or 20 year term.
<p>40-Year Term</p> <ul style="list-style-type: none"> • Interest rates even higher than shorter term loans • Pay more interest over time compared to a shorter term loan

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Mortgage Fees

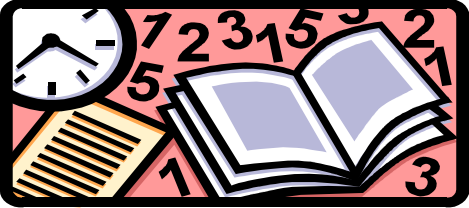
- 1% to 3% of loan
- Lender's fees
- Points
- Third party fees

Good Faith Estimate

- Disclosure of estimated mortgage fees

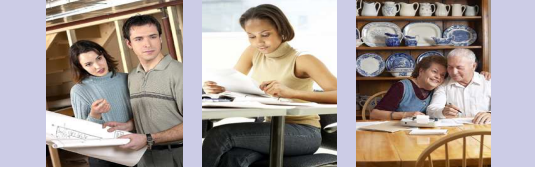
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What is the best way to turn today's class into tomorrow's action plan?



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Set specific measurable financial goals that include budgeting and saving.



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We hope you have gained insight regarding the steps involved to achieve home ownership



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The information presented is not to be a substitute for seeking advice specific to your situation from a legal or financial professional. If legal or financial advice is required, contact an attorney or financial advisor.

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