

This Class is Brought to You By:



U.S. Dept of HUD

Idaho's *Finally Home!*
Program



WASHINGTON STATE
HOUSING FINANCE COMMISSION

Washington State
Housing Finance

Community Action
Partnership Staff and
Volunteers



The Challenges



- The Homebuyer Challenge in Sandpoint
 - Cost to purchase Housing
 - Two Bedroom, One Bath, 588 Sq Ft, Built 1953
 - Price: \$150,000
 - Payment for 30 year fixed at 6.5% with T&I is ~\$1140 per month
 - What is needed to buy
 - Income-amount & stability \$3,800 per month or \$22 per hour full time.
 - Employment History: 2 years in same field
 - Credit Score: ~620 or above
 - Debt load: Less than 10% of income

The Challenges



- The Homebuyer Challenge in Sandpoint
 - Cost to purchase Housing
 - Three Bedroom, One Bath, 1008 Sq Ft, Built 1977
 - Price: \$189,500
 - Payment for 30 year fixed at 6.25% with T&I is ~\$1400 per month
 - What is needed to buy
 - Income-amount & stability \$4,650 per month or two earning over \$13.50 per hour full time.
 - Employment History: 2 years in same field
 - Credit Score: ~620 or above
 - Debt load: Less than 10% of income

Homebuyer Course Overview Part 1

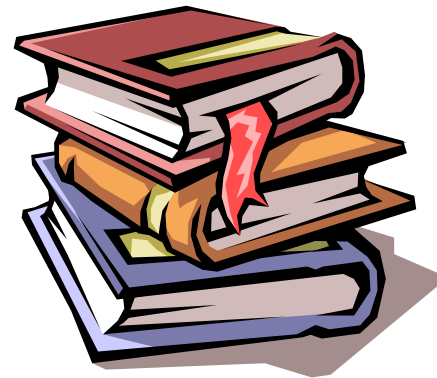


- Preparing for Homeownership
 - The Steps
 - Advantages and Disadvantages of Buying
 - Players in the Home Buying Process
 - What You Can Afford to Purchase
 - The Impact of Credit and Debt
 - Financial Statements, Saving, and Budgeting
 - Pre-Qualifying for a Home Loan
 - Understanding the Loan Market
- The Purchase Process
- Preventing Problems as a Homeowner



The Smart Way to Buy a Home

- **Learn** to Prepare for Homeownership so you be successful
- **Understand** the Purchase Process so you can Find Deals and Avoid Pitfalls
- **Learn** how to Prevent Problems as a Homeowner





How Much Can I afford for House Payments

- 1. Gross Monthly Income _____
 - Times Front Ratio ~30% gives
- 2. Max Allowed for PITI _____
 - Income X Back Ratio ~40% =
- 3. Max PITI & All Debt _____
 - - Your other debt pmts. _____
- 4. = Amt left for PITI _____

How Much Can I Spend on a House?



- 1. House Payment I can Afford _____
 - Minus Taxes, Mortgage, and
 - Hazard Insurance. Estimate 20% _____
- 2. Left for Principal & Interest _____
- 3. Divide by interest rate factor for 30 year loan:
6% = .0060, 6.5% = .00632, 7% = .00665,
7.5% = .00699
- 4. Result is total loan allowed _____
- 5. Add Down payment _____
- 6. Result is Maximum Purchase _____

Homebuyer Course Overview Part 2



- Preparing for Homeownership
- The Purchase Process
 - Finding the Deals
 - Alternative and Affordable Loan Programs
 - Predatory Lending
 - Understanding Interest, Amortization, & Terms
 - Selecting a Home
 - Avoiding the Pitfalls
 - Fair Housing
 - Environmental Issues
 - The Roles of the Real Estate Agent and Broker
 - Making an Offer, and Negotiations
- Preventing Problems as a Homeowner

The Option ARM

- An Adjustable Rate Mortgage that gives you the option of paying a low payment for a few years based on a “teaser” rate-for example 1%.
- The real interest rate is much higher and goes up or down based on various indexes and margins-currently in the 6.5 to 12% range.
- If all the interest is not paid every month, the debt goes up.
- When the teaser period is over, the payments go up to a level that will pay off the mortgage, all the accumulated interest, and the new interest each month at the new rates and higher debt. This could double or triple the monthly payments.

Headlines about Non-Traditional Loans

- *Beware These Home Loans*
 - “They carry risks you won’t believe, unless they trip you up.”
- *Payment-Option Arms-Are They for You?*
- *Is the Option Arm the Best Option?*
 - “It can also really get people into trouble!”
- *The Negative Equity Epidemic*
- *States Issue Warning on Nontraditional Mortgages*
 - “Many consumers are unaware their payments could double or even triple when they reset.”

Research the Property

- Before making an offer, obtain as much information about the house as you can.
 - What is the property description? Is there a plat map available? Where are the property lines?
 - Get a copy of the county assessor's description and valuation of the property.
 - What will insurance, utilities, and taxes cost?
 - What is the current condition of the property?
 - What will it cost to put it in the condition you need or desire?
 - What is the neighborhood like? What do the neighbors know about the property?

Homebuyer Course Overview 3



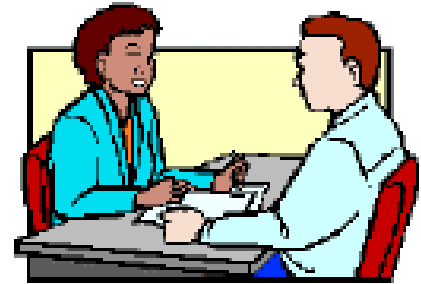
- Preparing for Homeownership
- The Purchase Process
- Preventing Problems as a Homeowner
 - Advantages of a Home Inspection
 - The Loan Application, Appraisal, and Getting approved
 - Obtaining Insurance Protection
 - Closing
 - Preventing Foreclosure
 - Buying Foreclosures
 - Maintaining your Home
 - Resources for additional help and information

Foreclosure Prevention



- Spend less than you earn
- Do not use your home equity for “wants”
- If in financial trouble, do **not** convert unsecured debt (medical, consumer) to secured debt (home mortgage)
- If you cannot afford to keep your house—**sell**
- Pay your home mortgage payments first
- Know you can afford the payments before borrowing
- If in trouble, consult a local Housing Counselor early

Housing Counseling



- Renter Rights and Responsibilities
 - Finding affordable Housing
 - Eviction Prevention
 - Getting Repairs
 - Fair Housing Accommodations & Complaints
- Ownership Counseling
 - Pre-Purchase Education and Counseling
 - Keeping the home affordable and livable
 - Preventing Foreclosure
 - Home Equity Conversion Mortgages

Building Equity

- Build More Wealth by:
 - Paying off the loan early
 - Making improvements that add value
 - Staying in one place longer to take advantage of increases in values over time
 - Investing in a more valuable home
- Lose Equity with:
 - Repeated borrowing or refinancing
 - Debt that rises
 - Late fees & penalties
 - Property value decreases
 - Poor maintenance
 - Selling for less
 - Foreclosure

Five Points to Remember

1. Purchase a home that meets your needs: Price, Condition, Size, Location...
2. Real estate agents and mortgage lenders are salespeople-selling a product to make a commission
3. Read all documents carefully before you sign. Make sure they are correct.
4. Budget for maintenance and emergencies
5. Use your home equity very carefully. Don't risk your house by living beyond your means.

Are You Ready?



- Will you be staying in the same area for at least three years?
- Do you have a steady income adequate for house payments?
- Do you have good credit?
- Do you have a reasonable debt load?
- Have you saved some money for your down-payment, closing, and moving costs?
- Are you ready for the responsibilities and rewards of home-ownership?

Homebuyer Education

- Post Falls, Idaho
 - Monthly Classes
 - Cost \$10
 - Next Class: June 18 and 24 from 5:30 to 9:30 pm
 - Contact: North Idaho College 208-769-3333



Homebuyer Education



- Community Action Partnership-Lewiston
 - Free Monthly Classes
 - Next Class Moscow, Idaho : June 16. 8:30 to 5
 - Next Class Lewiston: June 25, 26, 27 6-8:45 pm
 - With a sponsor, CAP will take class anywhere in North or North Central Idaho.
 - Contact: CAP 800-326-4843 ext 225