Community Resources and Housing Development Corp.

homebuyer education workshop

presented by

Elida Rubio
homebuyer education workshop

Areas of knowledge

- Section 1: Are you ready to buy a home?
- Section 2: Mortgage Lending
- Section 3: Real Estate
- Section 4: Post Purchase
  - What next?
section 1
are you ready to buy a home?

presented by
HELEN TAYLOR/PROGRAM DIRECTOR FOR THE COMPREHENSIVE COUNSELING DEPARTMENT
why is homebuyer education important?

- Informed consumer
  - Knowledge is power
  - Read documents and ask questions
  - Never sign blank or incomplete documents

- A source of information for current or future decisions relating to homeownership

- Access to special programs
what is a “first time homebuyer”? 

- IRS definition
  - Someone who has not had ownership interest in a main home for the past three years
- Displaced homemaker
is homeownership for me?

- **Pros of renting**
  - Cost
  - Repairs
  - Ease of mobility

- **Cons of renting**
  - No tax advantages
  - Repairs
  - No asset building
  - Lack of privacy
is homeownership for me? (cont.)

- Pros of homeownership
  - Tax benefits
  - Equity
  - Savings
  - Stability
  - A place of your own
is homeownership for me? (cont.)

- Cons of homeownership
  - Loss of mobility
  - Increased cost
    - Maintenance
    - Mortgage payments are generally higher
    - Utilities can be higher
  - Investment risk
    - Appreciation vs. depreciation
true cost of homeownership

- PITI & PMI
- Homeowners Association (HOA)
- Taxes/Insurance changes
- Increases in housing expenses
homebuying process

- Is buying right for you?
- Educate yourself
- Determine what you can afford
- Compare budgets for renting vs. owning
- Contact loan officers
- Select a real estate broker
- Find a home; make an offer
- Lock in interest rate
homebuying process (cont.)

- Inspection
- Appraisal
- Homeowners insurance
- Closing
- Move-in
- Educate yourself on post-purchase practices
key players and their roles

- Counseling agencies
  - Homebuyer education provider; one-on-one counseling
- Lenders
  - Find the best-suited loan program
- Real estate brokers
  - Help you find a home
  - Advocate for your best interest throughout process
key players and their roles (cont.)

- Home inspectors
  - Identify potential mechanical/structural problems

- Appraisers
  - Provide estimate of current market value

- Insurance agents
  - Provide estimate on insurance premiums

- Title companies
  - Provide title insurance and conduct closing
successful money management

- Why is a household spending plan important?
  - Up-front costs of homebuying
  - Meet ongoing cost of homeownership
  - Help prepare for larger financial obligations
  - Encourage savings
  - Identify wasteful spending
  - Help reach your goals
successful money management (cont.)

Six steps

- Determine your goals
  - Prioritize
  - When to reach the goal
  - Cost of each goals
- Calculate living expenses
  - Monthly cost to live
  - Fixed, flexible, periodic expenses
  - Track monthly spending
successful money management (cont.)

- Estimate income
  - From all household members
  - Child support/alimony
  - Other income
- Subtract expenses from income
- Develop/maintain useful money habits
  - Pay yourself first
  - Record-keeping system
  - Relate budgeting to financial goals
- Adjust your plan to changes
credit

- What is credit?
  - Critical to homebuying process

- Credit reporting agencies/credit bureaus
  - Experian
  - TransUnion LLC
  - Equifax
credit (cont.)

- Credit reports
  - Name, Social Security number, address, employers
  - Payment history
- Public records
  - Judgments and liens
  - Repossession or foreclosure
  - Bankruptcy
- Inquiries
  - Hard pulls vs. soft pulls
credit (cont.)

- Types of credit reports
  - Consumer credit report
    - Single bureau report
  - Infile credit report
    - Combine one, two, or three agencies’ info into one report
    - Creditor needs authorization from you
  - Residential mortgage credit report (RMCR)
    - Combines all three agencies’ information
    - Used by mortgage company
credit (cont.)

- Credit scores
  - Payment history
  - Amounts owed (outstanding balance vs. available debt)
  - Length of credit history (old vs. new accounts)
  - Types of credit (credit cards, car, mortgage, or student loans, etc.)
  - New credit
  - Inquiries
credit categories as they affect your credit score

- Payment history: 35%
- Amounts owed: 30%
- Length of credit history: 15%
- Types of credit: 10%
- New credit: 10%
credit (cont.)

- Methods used to calculate credit score
  - FICO (Fair Isaac and Company)
    - Range from 300 to 850
  - Vantage Score
- “No credit” or “nontraditional credit”

- Debt
  - Revolving vs. installment accounts
  - Debt as it affects the buying process
    - Housing ratio
    - Debt-to-income ratio
    - Trended credit data
credit (cont.)

- Debt reduction and your spending plan
- Manage your debts so they don’t manage you
  - Identify total debt (revolving accounts only)
  - Discern cause for financial distress
  - Pay off/pay down as much debt as you can
  - Make a spending plan
  - Pay cash for everything until you are free of debt
  - Have a weekly allowance for cash purchases in your spending plan.
- Savings
- Pay bills on time
credit (cont.)

- How to obtain a credit report
  - Colorado residents are eligible for one free credit report from each agency once a year
  - Request your free report
    - 1.877.322.8228
    - annualcreditreport.com
credit (cont.)

- Resolving errors and inaccuracies
  - Contact the credit reporting agency
  - File complaint online, by mail, or by phone
  - File with each agency
    - Agency to investigate and reply to consumer within 30 days of receiving complaint
  - Contact creditor directly only if the credit reporting agency disputes what you believe to be inaccurate
credit (cont.)

- Credit repair companies

- Ways to improve your credit
  - Pay bills on time
  - Do not take on more debt than what you can afford
  - Keep a healthy balance of types of credit
consumer laws

- Know your rights
  - Fair Housing Act
  - Equal Credit Opportunity Act
  - Truth-in-Lending Act
  - Real Estate Settlement Procedures Act (RESPA)

- Dealing with discrimination: HUD, Civil Right Div.

- Filing complaints about real estate professionals, appraisers, etc.
  - DORA at dora.state.co.us
are you ready to buy a home?
part one quiz
true or false

- According to the IRS definition, a first time homebuyer is an individual who has not had ownership in a main home for the past three years.

- A spending plan is important because it encourages savings and helps identify wasteful spending, prepares you for unexpected expenses, and helps you maintain good credit.
true or false

- When you dispute an erroneous item in your credit report, the credit-reporting agency has no time limit to conduct follow-up on your dispute.

- If you do not have credit history, you will never be approved for a mortgage loan.
<table>
<thead>
<tr>
<th>Column A</th>
<th>Column B</th>
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<tbody>
<tr>
<td>Gross income</td>
<td>A. When a credit report has been requested and reviewed</td>
</tr>
<tr>
<td>Fixed expenses</td>
<td>B. The money you earn before taxes and other deductions</td>
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<tr>
<td>Wants</td>
<td>C. Also known as flexible expenses; those that change from month-to-month</td>
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<td>Variable expenses</td>
<td>D. An account where the balance changes every month</td>
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<tr>
<td>Revolving account</td>
<td>E. Living expenses that remain the same each month</td>
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<tr>
<td>Inquiry</td>
<td>F. Items or things we desire but can live without</td>
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