

BUYING A HOME

Financial Aspects of Home
Ownership



NEED TO
KNOW



The Homebuying Process



Getting a Mortgage



Protecting Your Investment

TERMS TO KNOW

- Appraisal – professional estimate of a property’s market value.
- Closing – the date and time when the purchase of the house is finalized.
- Default – failure to repay a credit agreement.
- Down payment – paid by borrower which reduces that amount financed
- Foreclosure – the legal process by which the owner’s rights are terminated.
- Mortgage – a loan to finance the purchase of a house
- Preapproval – a written commitment from a lender that confirms the price of a home that a borrower can afford.
- Predatory Lending – when lenders conduct business in ways that is illegal or not the best interest of the borrower
- Principal – the money borrowed, not including interest and fees.
- Private Mortgage Insurance (PMI) – protects the lender and is usually required if you owe more than 80% of the mortgage.

BENEFITS OF
HOME
OWNERSHIP

- A place of your own
- Financial investment
- Cheaper than renting
- Tax benefits
- Financial stepping stone

REALITIES OF
HOME
OWNERSHIP

- Ongoing costs
- Less easy to move
- Upkeep of home
- Increased value not guaranteed
- Possibility of foreclosure

SIGNS OF A
RESPONSIBLE
LENDER

- Puts everything in writing
- Gives you time to shop
- An established company with a good reputation

PREDATORY
LENDING
WARNING SIGNS

- Encouraged to include false information
- Ads promise “No Credit? No Problem”
- Incomplete loan documents
- Bi-weekly loan payments
- “Bait and Switch” Sales Tactics

STEPS OF HOME
BUYING PROCESS

- Make an offer
- Negotiate
- Go into contract
- Have a home inspection
- Get an appraisal
- Receive loan approval
- Finalize the sale

FIVE C'S OF
CREDIT

- Character
- Capacity
- Capital
- Collateral
- Conditions

REASONS LOAN
IS NOT GRANTED

- Irregular employment
- Poor or lack of credit history
- Too short a time at residence
- Lack of income
- Insufficient down payment