

**VOCABULARY**

- \_\_\_\_\_ – professional estimate of a property's market value.
- \_\_\_\_\_ – the date and time when the purchase of the house is finalized.
- \_\_\_\_\_ – failure to repay a credit agreement.
- \_\_\_\_\_ – paid by borrower which reduces that amount financed.
- \_\_\_\_\_ – the legal process by which the owner's rights are terminated.
- \_\_\_\_\_ – a loan to finance the purchase of a house
- \_\_\_\_\_ – a written commitment from a lender that confirms the price of a home that a borrower can afford.
- \_\_\_\_\_ – when lenders conduct business in ways that is illegal or not the best interest of the borrower.
- \_\_\_\_\_ – the money borrowed, not including interest and fees.
- \_\_\_\_\_ – protects the lender and is usually required if you owe more than 80% of the mortgage.

**BENEFITS AND REALITIES OF HOME OWNERSHIP**

Benefits of Owning a Home	Realities of Owning a Home

**Are You Ready for Homeownership?**

Yes ✓	No ✓	Situation
		I have a steady, reliable source of money coming in.
		I've been employed on a steady basis for at least the last two years.
		I pay my regular monthly bills, such as rent and utilities, on time.
		I make regular payments on my debts (credit cards, car loans, etc.).
		I can afford to continue to pay these debts plus pay a mortgage. (In general, mortgage costs should not exceed 28% of your gross income.).
		I've researched how much my other expenses are likely to be—such as homeowners insurance, taxes, association dues, utilities, repairs, and maintenance—and feel confident that I can pay them.
		I have some money saved for the purpose of buying a home.
		I understand that buying a home is a major, long-term responsibility. I'm committed to fulfilling that responsibility.
		I have time to take care of a house—including responsibilities like home repairs and yard work.
		I've recently reviewed my credit report; I know my current credit score.

**LENDERS**

- Responsible Lender...
  - Puts everything in \_\_\_\_\_
  - Gives you \_\_\_\_\_ to shop
  - An established company with a good \_\_\_\_\_
- Predatory Lender...
  - Encouraged to include \_\_\_\_\_ information
  - Ads promise “\_\_\_\_\_? \_\_\_\_\_”
  - Incomplete \_\_\_\_\_ documents
  - Bi-weekly \_\_\_\_\_ payments
  - “Bait and Switch” \_\_\_\_\_ Tactics

**STEPS OF THE HOME BUYING PROCESS**

- Make an \_\_\_\_\_
- \_\_\_\_\_
- Go into \_\_\_\_\_
- Have a \_\_\_\_\_ inspection
- Get an \_\_\_\_\_
- Receive \_\_\_\_\_ approval
- Finalize the \_\_\_\_\_

**5 C'S OF CREDIT (what lenders look at when approving you)**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**REASONS LOAN IS NOT GRANTED**

- \_\_\_\_\_ employment
- Poor or lack of \_\_\_\_\_ history
- Too \_\_\_\_\_ a time at residence
- \_\_\_\_\_ of income
- Insufficient \_\_\_\_\_ payment

For each of the following situations classify as either **RENT, BUY, or DEPENDS**. Also, give reasons for your response.

- 1). Marla, age 22, plans to work full time while completing her college degree in a nearby city.
- 2) Bill, age 44, travels out of town frequently for his sales job. His company may transfer him to another sales territory within a year or two.
- 3) Kyle, age 32, recently completed his master's degree in business while working at the same company for the past six years. He has also been able to save nearly \$8,000 over this time period.
- 4) Jess, age 19, has just taken her first job as a sales representative for a computer software company.
- 5) Leslie and Frank, ages 54 and 57, are planning to retire within the next few years.

6)

A common disadvantage of buying a home is:

- A.** few financial benefits
- B.** limited mobility
- C.** restrictions on decorating and having pets
- D.** conditions in the lease

8)

The amount of a mortgage a person can afford is affected by:

- A.** the location of the house
- B.** her or his income
- C.** the cost of insurance
- D.** his or her age

7.

The home-buying process starts with:

- A.** locating and evaluating a home
- B.** pricing the property
- C.** determining homeownership needs
- D.** obtaining an appraisal of the property

9)

A \_\_\_\_\_ mortgage has a very large final payment.

- A.** conventional
- B.** graduated-payment
- C.** shared-appreciation
- D.** balloon

10.

The charges for settling a real estate transaction are also called \_\_\_\_\_ costs.

- A.** mortgage
- B.** closing
- C.** possession
- D.** selling