

(Agency's Name & Logo)

# PRE-PURCHASE EDUCATION

Welcome Future Homeowners



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*Sponsored By*





# Moving Forward:

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*Connecticut Homebuyers' Guide – 1<sup>st</sup> Edition*

*Published by Connecticut Fair Housing Center*



# Learning Your Fair Housing Rights

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1. What is the Fair Housing Act?
2. What does discrimination look like?

*(pages 4-5)*

# The Beginning

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- ✓ Are you ready to buy a home?
- ✓ Let's do a readiness self-test.
- ✓ If you are not ready to buy, what can you do to prepare?
- ✓ Buying vs. renting

*(pages 8-11)*

# The Beginning



## Homebuyer Team

1. You
2. Housing Counselor
3. Lender
4. Real Estate Agent
5. Inspector
6. Appraiser
7. Insurance Agent
8. Attorney

*(page 11)*

# The Beginning

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## **The Home Buying Process:**

1. Educate yourself on the home buying process.
2. Work with a housing counseling agency.
3. Learn your rights and your mortgage options.
4. Once you are mortgage ready, work with a bank to get pre-approved.

*(page 12)*

# The Beginning

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## **The Home Buying Process** *(continued)*:

5. After you receive a written pre-approval from your bank; search for a real estate agent.
6. Research areas you are interested in. Look for open house signs.
7. Prepare financial documentation to apply for a loan.
8. Once you have found a home, work with your real estate to draft and submit your offer/purchase contract to the seller.

# The Beginning



## **The Home Buying Process** *(continued)*:

9. Schedule a home inspection. Pay attention to deadlines in your contract.
10. Send final documents to your lender to prepare for closing date.
11. Consider hiring a real estate attorney to represent you at your closing.
12. After you review and sign all legal documents, closing is completed.
13. Congratulations! You now have the keys to your new home.

*(page 12)*

# Let's Talk Money

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- ✓ How do you know what you can afford?
- ✓ Front-end and back-end ratios
- ✓ Calculating gross income
- ✓ Calculating housing expenses

*(pages 13-15 and 87-88)*

# Let's Talk Money

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- ✓ Calculating monthly debt
- ✓ What are your other expenses?
- ✓ How much house can you afford?
- ✓ What is a mortgage pre-qualification?
- ✓ What is mortgage pre-approval?

*(page 16-18)*

# Let's Talk Money

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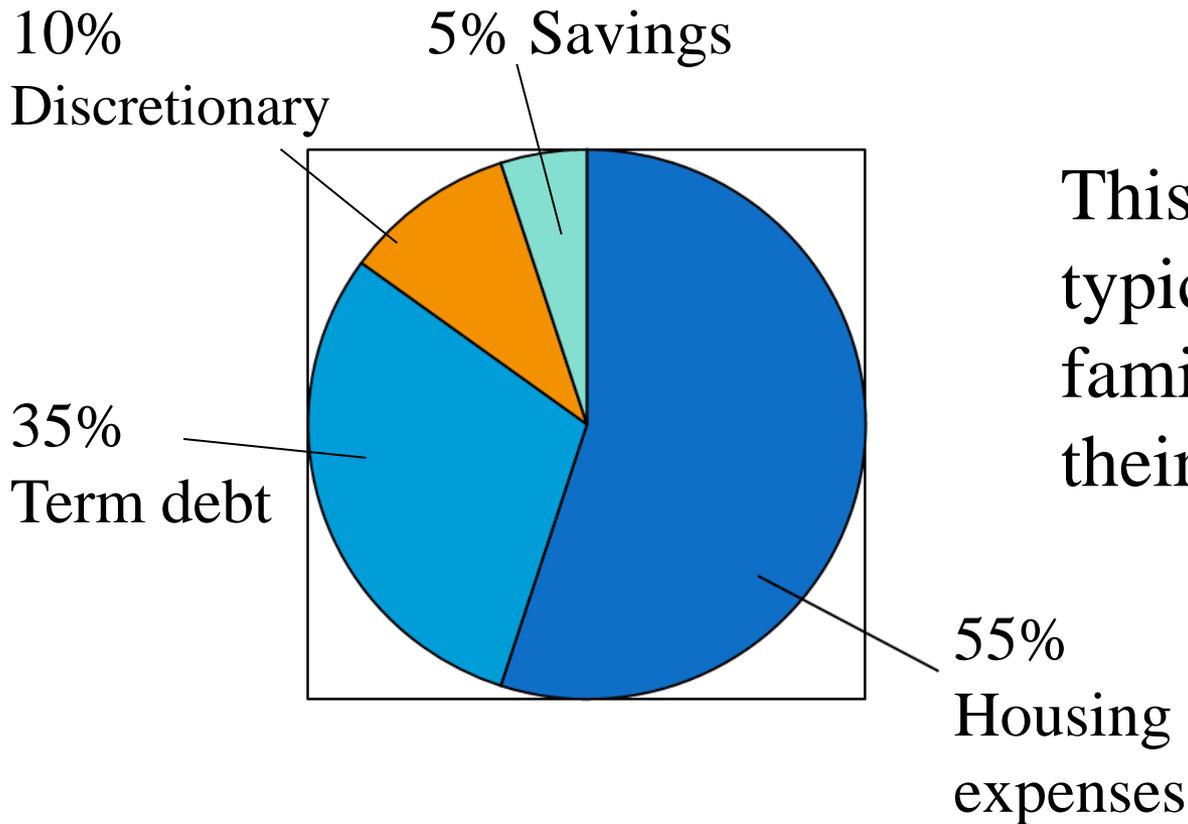
## Purchasing Power

$$\frac{\text{House Payment}}{\text{Gross Monthly Income}} = \text{Housing Ratio}$$

$$\frac{\text{House Payment} + \text{Monthly Debt Payments}}{\text{Gross Monthly Income}} = \text{Debt Ratio}$$

*(pages 87-88)*

# Let's Talk Money



This shows how a typical American family will invest their income.

*(material not covered in the book)*

# Let's Talk Money

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## **Your Credit Report**

1. What should you know about your credit score?
2. How do you learn about your credit score?
3. Go to [www.annualcreditreport.com](http://www.annualcreditreport.com) to obtain a free credit report.

*(pages 19-20)*

# Let's Talk Money

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## **Credit Report Disputes**

- Go online or send a letter to the credit bureaus to dispute any errors or inaccurate information.
- Include any supporting documentation necessary to support your claim.

*(material not covered in the book)*

# Let's Talk Money

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## **Non-Traditional Credit**

- ✓ How to establish credit.
- ✓ Apply for a loan or credit card using your savings as collateral.
- ✓ Demonstrate that you have made payments on time; your rent, insurance, utilities, medical bills or cable.

*(material not covered in the book)*

# Let's Talk Money

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## **Signs of Credit Problems**

- ✓ Arguing with family members about money.
- ✓ Paying items that you purchased 1-year ago.
- ✓ Using savings or credit card to pay bills.
- ✓ Paying only the minimum on cards or paying late.

*(material not covered in the book)*

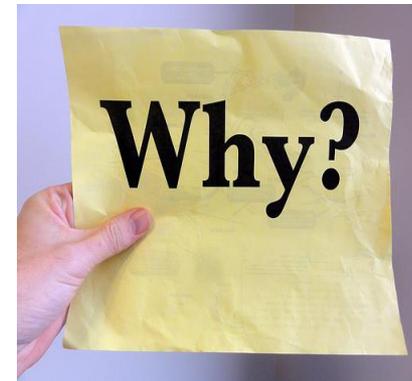
# Let's Talk Money

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## Types of Credit Problems

- ✓ Overdue accounts
- ✓ Bankruptcy
- ✓ Legal Judgments
- ✓ Repossessions
- ✓ Old information



*(material not covered in the book)*

# Let's Talk Money

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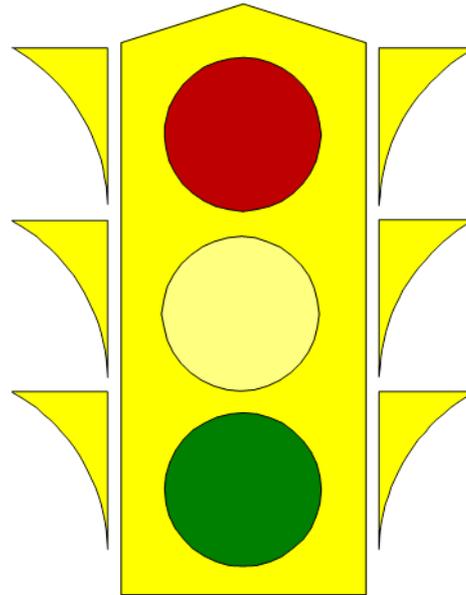
## **Solving Credit Problems**

1. Accept responsibility for your debts.
2. Analyze why you are having money problems.
3. Check your budget.
4. Give each member of your family an allowance.
5. Avoid spending unnecessary.
6. Meet with a Credit Counseling Agency to establish a debt management plan.

*(material not covered in the book)*

# Do You Have Any Questions ?

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# Let's Talk Money

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- ✓ How do you know what products/loan types/ programs are out there?
- ✓ Do I need a big down payment?
- ✓ Loan features you might want to avoid.
- ✓ Other loan terms and types.

*(pages 21-26)*

# Let's Talk Money

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- ✓ Finding the right mortgage for you.
- ✓ Loan comparison table.
- ✓ Qualifying for the mortgage. Follow the document checklist.

*(pages 30-33)*

# Let's Talk Money

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## ✓ What are the 4'C's of credit:

1. Collateral
2. Capital
3. Character
4. Capacity

## ✓ Types of mortgage documents

## ✓ Approved or denied

- Ask for the reason for the decision
- Take steps to correct the problem

*(material not covered in the book)*

# Let's Talk Money

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- ✓ TRID Disclosures
- ✓ Mortgage Application
- ✓ What are closing costs? Who pays for them?
- ✓ Escrow Account

*(pages 34-38)*

# Let's Talk Money

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## ✓ Mortgage Payment – PITI

- By taking out a mortgage loan, a home buyer borrows the money needed to purchase a home. In exchange, she/he promises to pay back the money plus interest, and gives the lender the right to take over ownership of the property if payments aren't made.

## ✓ Homeowner's Insurance

## ✓ Mortgage Insurance – FHA vs. PMI

*(pages 27-28)*

# Let's Talk Money

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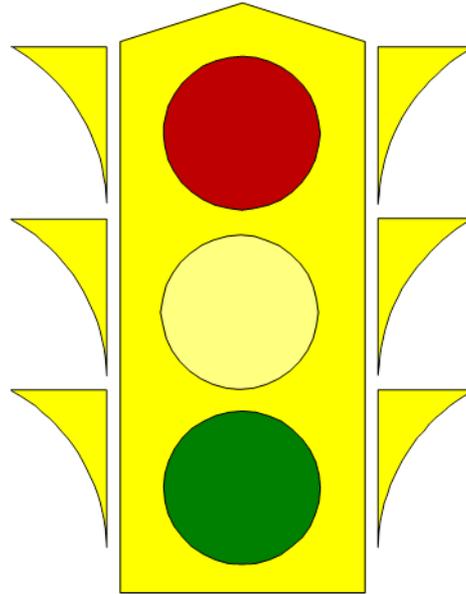
## **Mortgage Commitment**

1. Read completely.
2. Check your name, address, interest rate and the loan term.
3. Review for possible conditions.
4. Sign and send a copy to your lender.
5. Give a copy to your attorney.

*(material not covered in the book)*

# Do You Have Any Questions?

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The Bean Game Activity



# Ready to Buy

**One important factor when house hunting...**



Location



Location



Location

*(material not covered in the book)*



# Ready to Buy

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- Prioritizing your needs:
  - ✓ Any changes in your family size.
  - ✓ Needs for animals.
  - ✓ Ability to perform maintenance and repairs.
  - ✓ Use of yard and patio.
  - ✓ Parking for the vehicles.
  - ✓ Characteristics desired in the home.
- Identifying and organizing your priorities.
- Exploring places: learn about your new neighborhood and town.

*(pages 39-42)*



## Ready to Buy

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- ✓ Searching for a home.
- ✓ Working with a real estate agent.
- ✓ Who does a real estate agent represent?
- ✓ Do you pay a real estate agent?
- ✓ How do you find a real estate agent?
- ✓ What to do if your real estate agent does not answer your questions?

*(pages 42-46)*



# Ready to Buy



## Types of Homes

- 1 Unit – Single family
- Duplex – Two-sided single family
- 3 or 4 Units – Multifamily
- Plan Unit Development (PUD)
- Condominium
- Cooperative
- Land Lease

*(pages 48-49)*

# Ready to Buy

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1. Non-traditional home sales
2. Foreclosure or Real Estate Owned (REO) homes
3. For sale by owner
4. Rent-to-own leases and contracts for deeds

*(pages 48-49)*

# Ready to Buy



## Making an Offer

- How much should I offer?
- What else is part of an offer?
- Negotiating the deal?

You're under contract!



*(pages 51-52)*

# From Offer To Closing: Step by Step



After offer and contract is made:

## **Week 1 - 2**

- ✓ The home inspection

## **Week 2 - 3**

- ✓ Back to the negotiating table
- ✓ Continue to work with your lender to complete your full loan application

(page 53-57)

# From Offer To Closing: Step by Step



**The Inspector** - checks the structure and mechanics of the home systems:

- Foundation
- Ceiling
- Doors
- Windows
- Walls
- Apartments
- Plumbing
- Electrical heating
- Air conditioning
- Insulation
- Ventilation

(page 53)

# From Offer To Closing: Step by Step



## **Week 3 – 5**

- ✓ Home Appraisal Complete; obtain copy of the appraisal report
- ✓ Title Search

## **Week 5-6**

- ✓ Get Insurance Quotes
- ✓ Clear to Close

*(pages 57-60)*

# From Offer To Closing: Step by Step

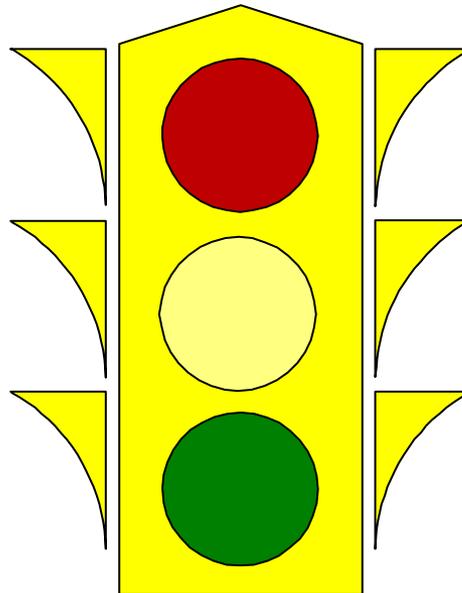


## The Closing

1. Establishment of the date of closing.
2. Hire a Real Estate Attorney or use the Lender's Attorney:
  - a. To review all closing conditions
  - b. Understand what types of ownership will be on closing documents
3. 24-hour final walk through with your Real Estate Agent.

# From Offer To Closing: Step by Step

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# Life as a Homeowner

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- ❖ Protecting your investment
- ❖ Investing in your neighborhood
- ❖ Asset building (equity)
- ❖ Managing financial difficulties

*(materials not covered in the book)*

# Life as a Homeowner



## Settling In

- ❖ Meet your neighbors
- ❖ Safety tips
- ❖ Get to know your home
- ❖ Meeting your obligations



*(materials not covered in the book)*

# Life as a Homeowner



## Your Obligations as Borrower

1. Revise your monthly budget.
2. Have reserves to cover your expenses.
3. If you are in trouble paying your mortgage, contact your lender and the nearest HUD-approved housing counseling agency.

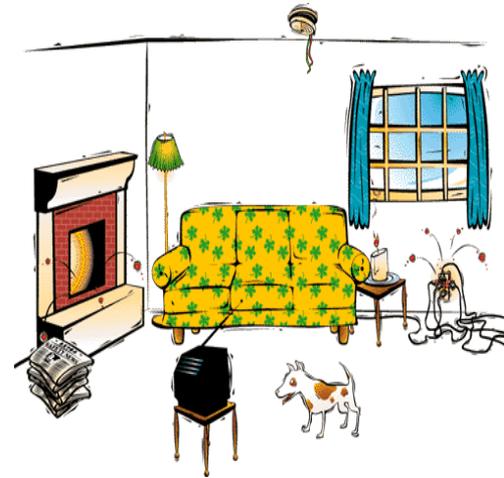
*(materials not covered in the book)*

# Life as a Homeowner



## Safety in the Home

- Emergency numbers
- Change all the locks
- Prevention against fire
- Evacuation plan



*(materials not covered in the book)*

# Life as a Homeowner



- ✓ Seasonal Maintenance Checklist
- ✓ Energy Conservation measures
- ✓ Prepayment of your home



*(materials not covered in the book)*

# Life as a Homeowner



## Type of Insurance

1. Mortgage Insurance
2. Home Insurance
3. Title Insurance
4. Flood Insurance
5. Life Insurance
6. Private Mortgage Insurance



*(materials not covered in the book)*

# Life as a Homeowner



## Shopping for a Policy

- ✓ Fire damage or storm damage
- ✓ Loss of personal property
- ✓ Compare rates
- ✓ Law suits



# Life as a Homeowner

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## Repairs/Renovations - Need a Contractor?

- ✓ Hiring a contractor
- ✓ An expert does the work for you
- ✓ It could be more expensive
- ✓ They can offer suggestions based on experience
- ✓ They know how to obtain building plans and permits

*(materials not covered in the book)*

# Life as a Homeowner

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## Doing it yourself Projects

- You can save money
- It may take more time
- It gives flexibility
- Plumbing, electrical, or structural work should be handled by a licensed professional

*(materials not covered in the book)*

# Life as a Homeowner



## Going Green

- ❖ Making your home energy efficient.
- ❖ Contacting a local energy advisor can save you money on your energy services.
- ❖ Recycle and know how to dispose of hazardous waste  
Energize CT –Eversource - [www.livegreentct.com](http://www.livegreentct.com)
- ❖ Go green cleaning, eating, and living- [www.treehugger.com](http://www.treehugger.com)

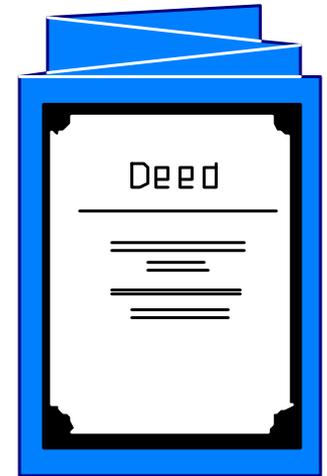
*(materials not covered in the book)*

# Life as a Homeowner



## Record Keeping

1. Archive warranties and receipts.
2. Archive financial and tax documents.
3. Photograph possessions and valuables.



*(materials not covered in the book)*

Thank you for Attending

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**HAPPY HOMEOWNERSHIP!**

Please complete the evaluation form  
and give to the Instructor.

A certificate of completion will be provided to you