

# Considering Homeownership

Familiarize yourself with the home buying process and explore methods to build your personal and financial readiness for home ownership.



# Thank you!



ConsumersCU.org | 800.991.2221

**CENTURY 21<sup>®</sup>**  
Affiliated



**Matthew J. Dhaseleer**

**Mortgage Sales Manager**  
**25 years of service**

E: [matthew.dhaseleer@consumerscu.org](mailto:matthew.dhaseleer@consumerscu.org)

P: 616.819.9602



**Sara Lewis**

**Real Estate Agent**  
**17 years of service**

E: [sgodwin2@gmail.com](mailto:sgodwin2@gmail.com)

P: 610.996.0808





# Workshop Goals

- 1** Review the costs and responsibilities associated with home ownership.
- 2** Explore the loan and repayment process.
- 3** Learn how to find out if you are financially ready to own a home.





# | Pro or Con

## POLL QUESTION

1. Your home is an asset.
2. You need to make payments toward a home.
3. You need to pay taxes on a home.
4. You can remodel your home any way you like.



# The Pros and Cons of Owning a Home

## 1. Your home is an asset.

**Pro:** The value of the home may go up over time.

**Con:** The value of the home may go down over time.

## 2. You need to make payments toward a home.

**Pro:** A portion of every monthly payment goes to the principal and gets you closer to owning a valuable asset.

**Con:** You need to make a down payment up front, and there may be many other home ownership costs.

## 3. You need to pay taxes on a home.

**Pro:** Homeowners may be able to deduct property taxes on their income tax return.

**Con:** You must pay property taxes.

## 4. You can remodel your home any way you like.

**Pro:** You can renovate and decorate your home.

**Con:** You are responsible for all repair and maintenance costs.





# Common Terms

## **Income**

Money earned from wages (salary, tips, etc.), Social Security or investments

## **Income history**

Proof of current and previous employment

## **Debt-to-income ratio**

A percentage that measures how much of a person's monthly income goes toward debt payments

## **Credit score**

A three-digit numerical score that predicts a person's ability to repay loans

## **Down payment**

A lump sum of cash used to pay for part of your home that shows lenders you're committed to the purchase





# | The Five Cs of Credit

## **Capacity**

Your present and future ability to meet your payment obligations

## **Capital**

Your assets including cash, savings and investments, property etc., that you could sell quickly for cash

## **Collateral**

Property or assets offered to secure a loan

## **Character**

Your history of delivering on commitments

## **Conditions**

The purpose of the loan and any factors that might impact the loan or affect your ability to repay



# Financial Action Plan: Renting or Owning

Rory graduated college in 2022 and was recently given an annual raise to \$72,000. Rory is now trying to decide between continuing to rent or making an investment by purchasing a home.

## Renting

Rent Payment (avg. rent for 1 Bed, 1 Bath in Kent County per Rent Café)	<b>\$1,500</b>
Credit Card Payment	<b>\$100</b>
Auto Loan Payment	<b>\$300</b>
Student Loan Payment (out of deferment)	<b>\$200</b>
<b>Total Expenses</b>	<b>\$2,100</b>

## Owning

Mortgage (\$250K home with 3% down, 30-year fixed mortgage at current market rates with taxes and insurance included)	<b>\$2,000</b>
Credit Card Payment	<b>\$100</b>
Auto Loan Payment	<b>\$300</b>
Student Loan Payment (out of deferment)	<b>\$200</b>
<b>Total Expenses</b>	<b>\$2,600</b>





# Debt-to-Income Ratio

The maximum DTI on most mortgage programs is 45% of the borrower(s) gross monthly income.

**DTI = Total Monthly Expenses / Total Monthly Income**

Rory's Total Debts with Mortgage Added In	<b>\$2,600</b>
Rory's Total Gross Monthly Income = \$72,000/12	<b>\$6,000</b>
DTI Calculation	<b>43%</b>



# Credit Score

A credit score is a three-digit number that reflects a person's credit history and predicts the person's likelihood to repay a loan. The higher the number, the better the score.



## What affects my credit score?

- Payment history
- Amounts owed
- Length of credit history
- Types of credit used
- New credit

## How do I check my credit score?

For a fee, you can get your credit score through any of the credit bureaus.

## What determines my credit score?

Data on your credit report, which is reported by three credit bureaus:

- Equifax
- Experian
- TransUnion





# | Home Buying Costs

Down Payment

+

Miscellaneous Costs

+

Closing Costs



# Home Buying Costs: Down Payment

A down payment is a cash payment toward the purchase of a home. It typically ranges between **0%** and **20%** of the purchase price.

Marta wants to buy a house that costs **\$250,000**. See how having a down payment can affect her interest rate and other costs.

## Scenario A

Marta does not have any cash saved for a down payment, so she will need to borrow the full **\$250,000** amount.

Down payment: **\$0**

Interest rate: **7.125% (current market rate)**

At the end of the first year, she will have paid **\$17,732** in interest.

## Scenario B

Marta has saved **\$7,500** for a down payment. She needs to borrow only **\$242,500** from the bank.

Down payment: **\$7,500**

Interest rate: **6.375% (current market rate)**

At the end of the first year, she will have paid **\$15,379** in interest.





# Home Buying Costs: Miscellaneous Costs

Credit check

Real estate taxes

Inspection costs

Repair costs

Appraisal costs

Ongoing costs

Title fees

Realtor fees



# Home Buying Costs: Closing Costs

**Closing costs** are expenses over and above the purchase price of a home. Common closing costs include—but are not limited to—the following:

- Appraisal fees
- Tax service provider fees
- Title insurance
- Government taxes
- Prepaid expenses, such as property taxes, homeowner's insurance (if applicable) and interest until your first payment is due

**Total amount of closing costs may be between 2% and 4% of the purchase price.**





# Private Mortgage Insurance

## What is it?

Insurance that guarantees the lender will be paid the amount remaining on the mortgage if the buyer defaults

## Who needs it?

Anyone who can't make a down payment of at least 20% of the purchase price



# Types of Loans

**Conventional loans** are mortgage loans provided to people who meet certain criteria, including income level, DTI percentage and credit score. These loans are provided by the following organizations:

**Financial institutions**

**Credit unions**

**Mortgage companies**

Government-backed loans are government loans available to buyers who may not have good credit or a large enough down payment. These loans are provided by the following organizations:

## **Federal Housing Administration (FHA)**

The FHA helps insure loans through private lenders to borrowers with low credit scores or limited down payment funds.

**USDA Rural Development Services** For those looking to buy a home in a rural area, the USDA offers several types of loan assistance for direct loans and guaranteed loan programs. USDA assistance programs typically are targeted to low- and moderate- income individuals.

**Veterans Administration (VA)** For eligible veterans, service members and surviving spouses, the VA can guarantee a portion of a loan from a private lender.





# Free Resources

- **The Truth in Lending Act** requires that buyers be given information about the key features, costs and risks of their mortgages (including loan estimates and closing disclosures).
- **The Consumer Financial Protection Bureau** ([www.consumerfinance.gov/owning-a-home/](http://www.consumerfinance.gov/owning-a-home/)) provides protections and resources for buyers when financing a home.
- **The U.S. Department of Housing and Urban Development website** ([https://www.hud.gov/topics/buying\\_a\\_home](https://www.hud.gov/topics/buying_a_home)) has many helpful resources, including the following:
  - Fair Housing: Equal Opportunity for All
  - Information about borrowers' rights
  - Homebuying programs
- **The USA.gov Finding a Home** site can be found at <https://www.usa.gov/finding-home>.



# Summary

- 1** It is important to understand your personal financial readiness before considering homeownership.
- 2** Be sure to check your personal credit and your debt-to-income ratio when considering homeownership.
- 3** You must thoroughly review all the costs associated with homeownership before beginning the process of purchasing a home.





# Your Money. Your Life.

## Complimentary digital resources available 24/7.

As your partner in financial wellness, Consumers @Work offers a wealth of resources and financial literacy content to help your employees feel confident in their financial decision-making, including relevant presentations, quick and informative online courses, and a robust library of financial courses, educational blogs, podcasts and videos.

Online financial literacy courses are 3-5 minutes long, mobile friendly, ADA compliant and available in English and Spanish. Discover our personalized playlists, which match your financial goals with relevant course recommendations.

### Topics Include:

- Financial basics
- How to identify and stop fraud
- Owning a home
- Investing in your future
- Preparing for retirement
- Financial caregiving
- And more!

The screenshot displays the Consumers Credit Union website's 'Your Money. Your Life.' section. At the top, the Consumers Credit Union logo is visible. Below it, a collage of four images shows a man giving a thumbs up in a car, a family smiling, a man holding a credit card, and a woman smiling. A central text box reads: 'Your Money. Your Life. Consumers is proud to be your financial partner as you live, work and play. Take a look at the tools we have to help you build a financial plan for every stage of your life. LET'S GET FINANCIALLY FIT TOGETHER!'. Below this, a 'Select a Topic' section features four topic cards, each with an icon, a title, a brief description, and an 'EXPLORE' button. The topics are: Financial Foundations (bank icon), Investing in Your Future (graduation cap icon), Building Financial Capability (calculator icon), and Owning a Home (house icon).

**Financial Foundations**  
Understand the basics of some key financial concepts.  
[EXPLORE](#)

**Investing in Your Future**  
Learn how to be more financially prepared in the years ahead.  
[EXPLORE](#)

**Building Financial Capability**  
Learn how to manage your money and avoid financial dangers.  
[EXPLORE](#)

**Owning a Home**  
Explore the benefits and costs of buying and owning a home.  
[EXPLORE](#)

