

1.

***Congratulations!***

3.

**Neighbor to Neighbor opens doors and advances lives from homelessness to homeownership by providing sustainable housing, supportive services and education to the Larimer County community**



5.

## **Homeownership Programs**

Foreclosure Prevention Counseling

Reverse Mortgage Counseling

Homebuyer Education Class

Online Money Management

Emergency Mortgage Assistance Program/  
Homeowner's Assistance Fund

HomeShare

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6.

## NeighborWorks Organization

A network of more than 260+ housing agencies across the country

Provide ongoing support and training to our expert counselors

Neighbor to Neighbor continually ranks in the top 5!

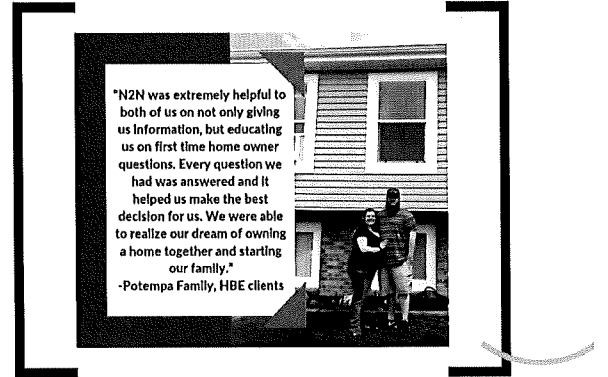


We collaborate for Impact



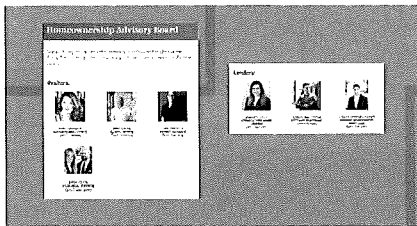
with the country's best community development nonprofits

7.



8.

## Link to Housing Industry Professionals



[www.n2n.org/homeowner-assistance/homeownership-partners/](http://www.n2n.org/homeowner-assistance/homeownership-partners/)

9.



10.

## *Class Summary*

**Section 1: Are you ready to buy a home?**

**Section 2: Mortgage Lending**

**Lunch**

**Section 3: Real Estate**

**Section 4: Post Purchase**

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11.

## **Housekeeping**



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12.

## *Section*

# 1

**Are you ready to buy a home?**

*What is a "first time homebuyer"?*

IRS says, "someone who has not had ownership interest in a home for the past three years."

*elo*

---

13.

## *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**

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16.

## What is a "first time homebuyer"?

IRS says, "someone who has not had ownership interest in a home for the past three years."

*also*

a displaced homemaker

17.

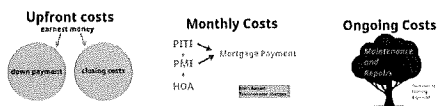
## Is homeownership for me?

	Renting	Homeownership
+	<p><b>Cost</b> <b>Repairs</b> <b>Ease of mobility</b></p>	<p><b>Tax benefits</b> <b>Equity</b> <b>Stability</b></p>
-	<p><b>No tax advantages</b> <b>Repairs</b> <b>No asset building</b> <b>Rent may increase</b></p>	<p><b>Loss of mobility</b> <b>Increased cost</b> <b>Maintenance</b> <b>Utility payments</b> <b>Investment Risk</b> <b>Appreciation vs. Depreciation</b></p>

18.

## How much will it cost?

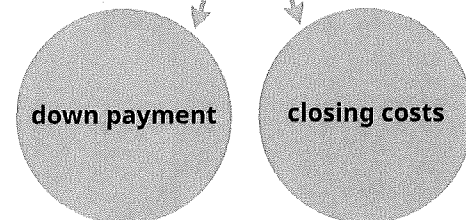
*The true cost of homeownership*



19.

## Upfront costs

earnst money



20.

## Monthly Costs



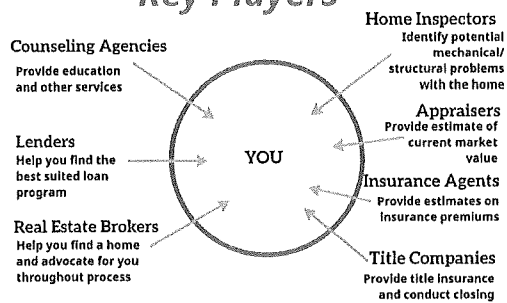
21.

## Ongoing Costs



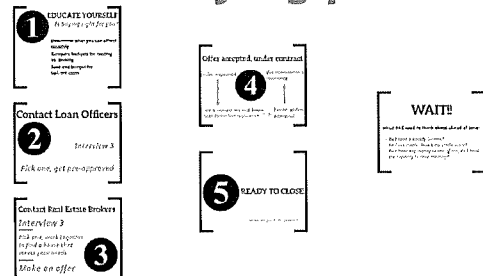
22.

## Key Players



23.

## the homebuying process



24.

# WAIT!!

What do I need to think about ahead of time?

- Do I have a steady income?
- Do I use credit? How's my credit score?
- Do I have any money saved? If not, do I have the capacity to save monthly?

25.

# 1

## EDUCATE YOURSELF

*Is buying right for you?*

Determine what you can afford monthly

Compare budgets for renting vs. owning

Save and budget for upfront costs

26.

## Contact Loan Officers

# 2

*Interview 3*

*Pick one, get pre-approved*

27.

## Contact Real Estate Brokers

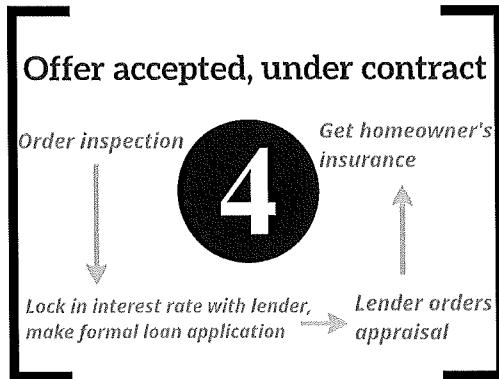
*Interview 3*

*Pick one, work together to find a house that meets your needs*

*Make an offer*

# 3

28.



29.



30.

*Where are you in the process?*

31.

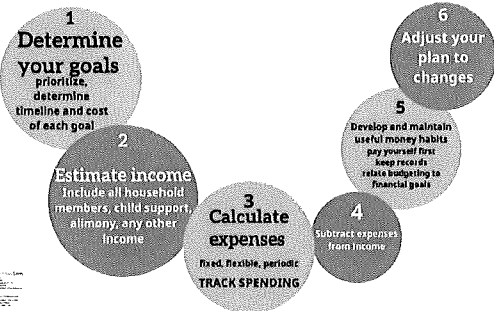
### ***Successful money management***

**Why is a household spending plan important?**

- **Upfront costs of homebuying**
- **Meeting the ongoing cost of homeownership**
- **Help prepare for larger financial obligations**
- **Encourage savings**
- **Identify wasteful spending**
- **Help reach your goals**

32.

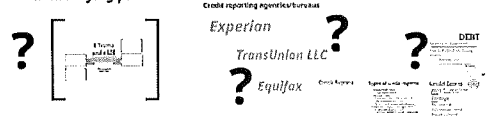
## Six Steps to Money Management



39.

# ? What is ? Credit ?

and why is it important in the homebuying process?



40.

## 2 Truths and a LIE

Credit Edition

Can you guess which one?

- ① Creditors are not obligated to report my payment history to the credit reporting agencies.
- ② Paying off bad debts -- Past due payments, collections, tax liens, and judgements -- will remove them from my credit report.
- ③ Checking my own credit report will not hurt my credit score.

41.

45.



① Creditors are not obligated to report my payment history to the credit reporting agencies. ✓

② Paying off bad debts -- Past due payments, collections, tax liens, and judgements -- will remove them from my credit report. ✗

③ Checking my own credit report will not hurt my credit score. ✓

46.

① My Credit report is the same at all three credit bureaus.

② Closing credit card accounts as a strategy to boost my credit scores can actually backfire and cause my scores to plummet.

③ Credit is one of the most important aspects of my financial life.

50.

① My Credit report is the same at all three credit bureaus. ✗

② Closing credit card accounts as a strategy to boost my credit scores can actually backfire and cause my scores to plummet. ✓

③ Credit is one of the most important aspects of my financial life. ✓


51.


① Bad credit is a minimum 7 year sentence and my credit won't improve until the negative information falls off my credit report.

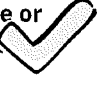
② When managed wisely, credit can provide conveniences and protections that I can't get with cash.

③ I do not need to carry a balance or pay interest to build good credit.

55.

① Bad credit is a minimum 7 year sentence and my credit won't improve until the negative information falls off my credit report. 


② When managed wisely, credit can provide convenience and protections that I can't get with cash. 


③ I do not need to carry a balance or pay interest to build good credit. 


① Paying my bills on time accounts for 35% of my credit score and is one of the most important factors in my score calculation.

② The three major credit bureaus are separate companies and do not share their credit report data with each other.

③ The more money I make, the higher my credit scores will be.

① Paying my bills on time accounts for 35% of my credit score and is one of the most important factors in my score calculation. 

② The three major credit bureaus are separate companies and do not share their credit report data with each other. 

③ The more money I make, the higher my credit scores will be. 

? What is ?  
**Credit**  
 and why is it important in the homebuying process?

Credit reporting agencies/bureaus

? Experian ? TransUnion LLC ? Equifax ? DDBT

? [Types of credit reports] ?

Equifax LLC

Credit reporting agencies/bureaus

*Experian*

*TransUnion LLC*

*Equifax*

Credit Reports

Types of c

- Consumer credit
- Single bureau
- Infile credit report
- Equifax man
- Information b
- Creditors need
- Residential mortg
- Used by mortg
- Combines all

# Credit Reports

*What's on them?*

Name Social Security Number

Address Employers

Payment History Inquiries-  
hard vs. soft

Public Records-  
judgements, liens, repossessions,  
foreclosures, bankruptcies

## Types of credit reports

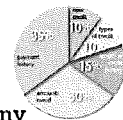
- Consumer credit report
  - Single bureau report
- Infile credit report
  - Combine one, two or three agencies' information into one report
  - Creditor needs authorization from you
- Residential mortgage credit report (RMCR)
  - Used by mortgage company
  - Combines all three agencies' information

5

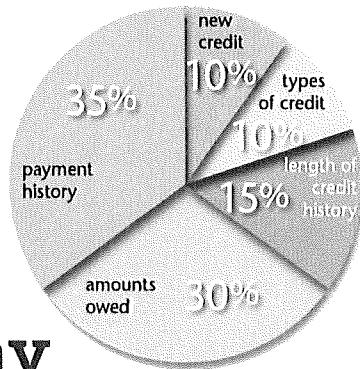
## Credit Scores

FICO • Fair Isaac and Company  
• Range- 300-850

Vantage  
*No credit &  
Alternative credit  
Trended Credit*



S  
ompany



71.

# DEBT

Revolving vs. Installment

*Debt as it affects the buying process*

- Housing ratio
- Debt-to-income ratio

### Debt reduction

Manage your debts so they don't manage you  
• Identify total revolving debt  
• 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 debt free  
• Have a weekly allowance of cash purchases  
• Pay bills on time

72.

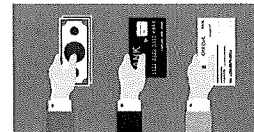
## Debt reduction

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- Pay off/pay down as much debt as you can
- Make a spending plan
- Pay cash for everything until you are debt free
  - Have a weekly allowance of cash purchases
- Pay bills on time

www.

[www.powerpay.org](http://www.powerpay.org)



73.

74.

*How do I get a copy of my credit report?*

**Colorado residents are eligible for one free credit report from each agency, each year**

- Contains no score

**[www.annualcreditreport.com](http://www.annualcreditreport.com)**

*What if there are errors on my report?*

|

---

75.

*What if there are errors on my report?*



**Contact each credit reporting agency to file complaint**

- online, mail or phone

**Agency will investigate and reply to consumer within 30 days**

Contact creditor directly only if the credit reporting agency disputes what you believe to be true

*Should I use a credit repair company?*

|

---

76.

*Should I use a credit repair company?*



**Consider ways to improve your credit**

- Pay bills on time
- Do not take out more debt than you can afford
- Keep a healthy balance of types of credit

*How long do things stay on my credit report?*

|

---

77.

*How long do things stay on my credit report?*



**7 years**

*except*

**Chapter 7 Bankruptcy  
10 years**

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78.

## Consumer Laws

### Know your rights

- Fair Housing Act
- Equal Credit Opportunity Act
- Truth In Lending Act
- Real Estate Settlement Procedures Act (RESPA)

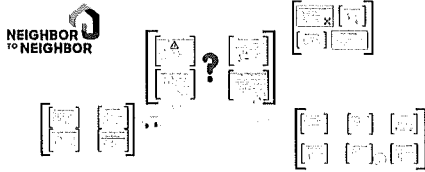
### Discrimination

- Contact HUD, Civil Rights Division

### Filing complaints about real estate professionals, appraisers etc.

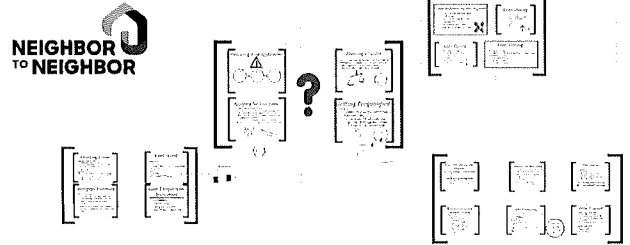
DORA at [dora.state.co.us](http://dora.state.co.us)

## Section 2: Lending



1.

## Section 2: Lending



2.

### Preparing Your Application

- What is a mortgage?
- Secured loan - your home is collateral
- What does a mortgage payment include?
  - PITI (principal, interest, taxes, and hazard insurance)
  - Mortgage Insurance- PITI + PMI/MIP



3.

### Preparing Your Application

- Escrow accounts - taxes and hazard insurance
- Homeowners Association (HOA) dues

4.



**Preparing Your Application**

- Who to see for prequalification
  - Lender or Housing counselor
- Create a spending plan
- Find out what your mortgage payment comfort level is

5.

**Choosing a Lender**

- Sources: your current financial institution, referrals from family and friends, chfainfo.com, nonprofit housing agencies, your real estate broker
- Interview several lenders and ask questions

6.

**Types of Financing Sources**


- Financial institutions
- Banks, mortgage companies, credit unions




7.

**Other Financing Sources**

- Mortgage brokers, seller financing, contract for deed
- Investors
  - Fannie Mae, Freddie Mac, CHFA

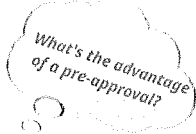


8.



## Applying for Your Loan

- Pre-approval vs. prequalification
  - Pre-approval is based on verified/documented info: guarantees lender will loan that amount
  - Prequalification is based on verbal/unverified info: no guarantee on lending
- Qualifying for a mortgage you can afford means determining your own comfortable monthly payment



9.

**What about co-borrowers,  
non-occupying co-  
borrowers, cosigners?**

10.

## Getting Prequalified

- Income
  - Lenders use gross pay, not net pay or "take home" pay
  - This approach will qualify you for a higher mortgage that can be outside of your comfort level



11.

## Possible Sources of Income

- Regular pay, bonuses & OT
- Part time work
- Social Security (SSI) & (SSDI)
- Retirement/pension
- Child support/alimony etc...



12.

**ASSETS**

- Money used for home purchase cannot be borrowed
- Bank Accounts document assets
  - Avoid overdrafting
  - No Cash deposits
- You will need money for the earnest deposit, inspection, and appraisal before you start shopping

## *Ratios*



- **Housing ratio** (aka "front-end ratio")
  - Maximum amount of income you can use towards housing costs each month
- **Debt-to-income ratio** (aka "back-end ratio")
  - Maximum amount of income you can use towards your mortgage plus all other monthly debt
  - Higher than housing ratio because it includes all your debt

## *Loan Application*

Requires documentation

Paystubs, W-2s, tax returns, bank statements, rental history information, etc

Lender/Loan Fees

- Application
- Credit report
- Appraisal
- Rate-lock in



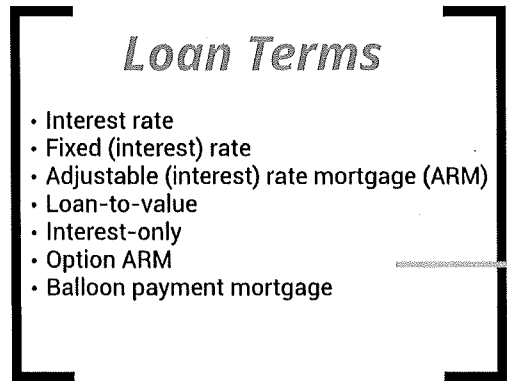
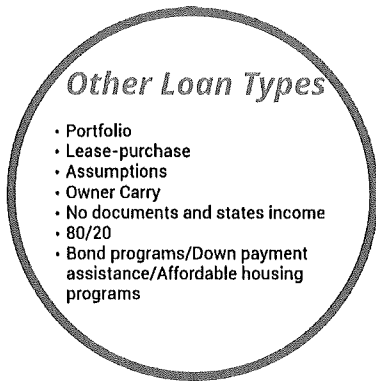
Reserves

Some lenders require you have money in a savings account

## *Choosing a Loan*

- **Government- insured loans**
  - FHA (Federal Housing Administration)
    - Acquisition-Rehabilitation mortgages (FHA 203K)
  - VA (U.S Dept. of Veterans Affairs)
  - Rural Development
    - RD 502 Direct
- **Conventional loans**
  - Not insured or guaranteed by federal government
  - Down payment requirements from 3 to 20 percent
  - Fixed or adjustable interest rates
  - Stricter Credit Requirements





## Buydowns

Temporary Buydown → Reduces rate for at least the first few years of mortgage

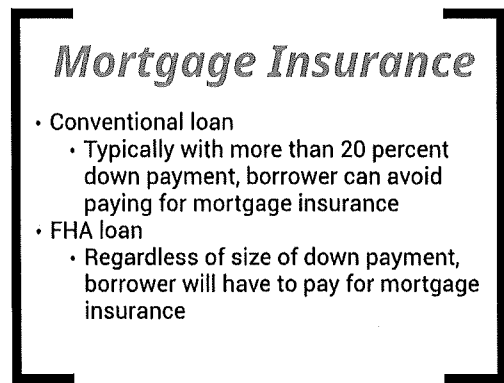
Permanent Buydown → Reduces rate for the life of the loan

**Pros**

- Lower payment
- Less interest

**Cons**

- Short lived benefits
- Rate changes



## Loan Comparison Worksheet

- Loan product
- Interest rates
- Mortgage insurance
- Cost for each type of loan

21.

## First Time Homebuyer Programs

- Larimer County Down Payment Assistance Programs
  - Impact Development Fund Down Payment Assistance
  - Metro DPA
- CHFA Specialty First Time Home Buyer Programs
  - CHFA Smart Step / SmartStep Plus
  - Preferred/ CHFA Preferred Plus
  - CHFA FirstStep / CHFA FirstStep Plus



22.

## Grants Vs. Silent 2nd

- Grants**
- Does not have to be repaid
  - Do not need to be first time homebuyer
  - Interest rate on first mortgage could be higher

- Silent 2nd Loan**
- May require you to be first time homebuyer
  - Interest rate on first mortgage not affected
  - loan that must be repaid on sale or refinance

23.

## Applying for Your Loan

- Loan Disclosures - Due within 3 business days
  - Colorado Tangible Net Benefit Disclosure
  - Colorado Lock-in Disclosure
  - Colorado Mortgage Broker Compensation Disclosure
- Loan Estimate
  - Replaced the Good Faith Estimate and Truth-in-Lending statements



24.

## *Subprime Lending and Predatory Lending*

- Subprime loans
- Predatory lending
  - CFPB - No longer allows
    - Single premium life insurance
    - Prepayment penalties
    - Balloon Payments
    - Option ARM/payments
    - Negative amortization
    - Higher interest rates and fees
    - Discount points
    - Padding costs and fees

25.

## *Loan Processing*

- Buyer coordinates inspection and procures hazard insurance
- Lender orders appraisal
- Title Company
  - Warranty Deed
    - Transfers title to the property
  - Title search
  - Title insurance
  - Property survey or Improvement Location Certificate
  - Charges

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26.

## *Mortgage Players*

- Loan officer
- Processor
- Underwriter
- Closer

27.

## *Under Contract*

- Loan Estimate
  - Loan Term
  - Loan amount & Loan-to-value (LTV)
  - Interest Rate and Lock
  - estimated closing costs and credits
  - cash needed to close

**APR - Annual Percentage Rate**  
**TIP - Total Interest Percentage**

28.

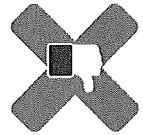
## *Under Contract*

- Locking in your interest rate
  - always YOUR choice and timing
  - Buy-down to lower interest rate
  - Choose high rate to get lender credit for closing costs
  - Once locked, you are protected against increases
- Never pay before closing
  - Rate lock-in fee
  - Origination fee
  - Application fee

29.

## *Loan Underwriting and Approval*

- Common reasons for loan denial
  - High ratios
  - Insufficient funds to close
  - Low appraisal
  - Finances or credit score changes since pre-approval



30.

## *Loan Closing*

- Closing Disclosure
  - Outlines your final loan terms and closing costs
- Steps before closing
  - Final walk-through
  - Cashier's check
  - Call utility companies

31.

## *Loan Closing*

- Closing attendees
- Title company's closer
  - Real estate brokers
  - Lender
  - Seller
  - YOU!



32.

## *Loan Closing*

Loan documents to sign

- Deed of Trust (mortgage)
- Promissary note
- Closing disclosure
- Affidavits
- Power of Attorney (POA)

*Loan Closing*  
• Real estate documents to sign  
• Warranty Deed  
• Buyers' and Sellers' Statements  
• Final Tax Agreement  
• HOA Fees  
• Down payment, closing costs, prepaids, and escrows  
• Items to bring to the table

## *Loan Closing*

- Real estate documents to sign
  - Warranty Deed
  - Buyers' and Sellers' Statements
  - Final Tax Agreement
  - Final Water Agreement
  - HOA Fees
- Down payment, closing costs, prepaids, and escrows
- Items to bring to the table

## Section 3: Real Estate



1.

## *Role of the Real Estate Broker*



- Help to find a suitable home
- Prepare offers
- Guide through the purchasing process
- Liaison between buyer, seller, and listing agent
- Coordinate with bank, title company, and listing agent
- Disclose any facts about property or HOA

2.

## *Selecting a Real Estate Broker*



- Realtor vs. real estate broker
- How to hire a real estate broker
  - Experience is necessary
- Verify licensing: no disciplinary actions
  - Consumer Corner News at the Colorado Division of Real Estate ([dora.state.co/us/realestate](http://dora.state.co/us/realestate))
- Ask questions- Interview the real estate broker to make sure they will meet your needs

3.

- Seller's agent
- Buyer's agent ✓
- Transaction broker
- Customer

4.



## *Shopping for a Home*

- Likes/dislikes
  - Current future needs and wants
  - Personal/family's interests as these relate to home search
- Watch for signs that you are being unrealistic
- Can you handle changes/repairs after the sale?
- Consider financing guidelines (FHA)
- Making a competitive offer



5.

## *Locations of Homes*

- Multiple Listing Service (MLS)
- Public websites (realtor.com, coloradohousingsearch.com, coloproperty.com)
- Newspapers, real estate shopper guides, open houses, etc.
- Considerations when selecting a home or neighborhood
- Contact your broker to access properties

6.

## *Types of Homes*

- Single family
- Townhouse
- Condominium (condo)
- Modular home
- Manufactured/mobile home
- Short sale (aka "preforeclosure")
- Foreclosed home
- HUD home
- Deed restriction

7.

## *Homeowners Association (HOA) or Common Interest Community (CIC)*

- Who participates in an HOA?
- What is an HOA?
- Are there any fees associated with HOAs & CICs?
- Important documents/information on HOA
  - Read them!
- Protect your home and get involved in your HOA or CIC

8.

## *Metro Tax Districts*

- What is a Metro Tax District?
- Things to consider:
  - Metro Tax District Board
  - Covenants and rules
  - Fees may increase without neighborhood approval

9.

## *Purchasing a Home*

- Earnest money
  - Show of a buyer's good faith
  - Amount set by the seller; is negotiable
  - Money back at closing- most FTHB programs do not allow any money back to the buyer at closing



10.

## *Purchasing a Home*

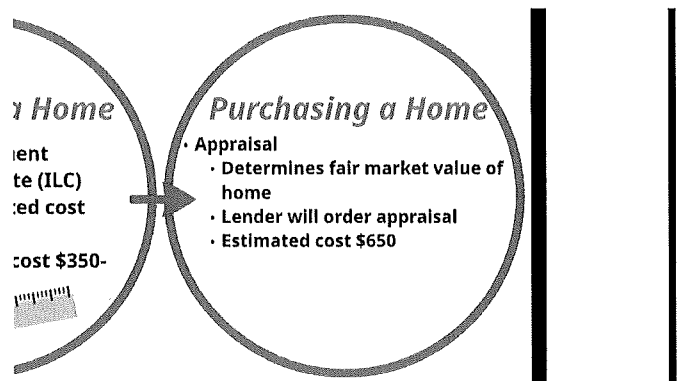
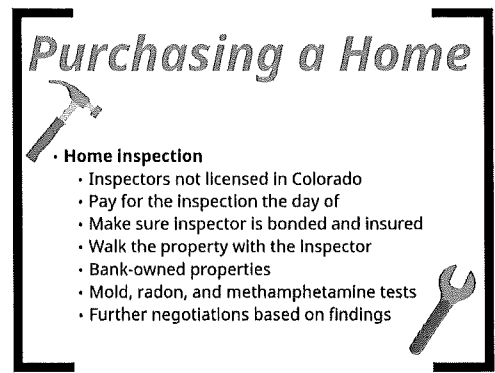
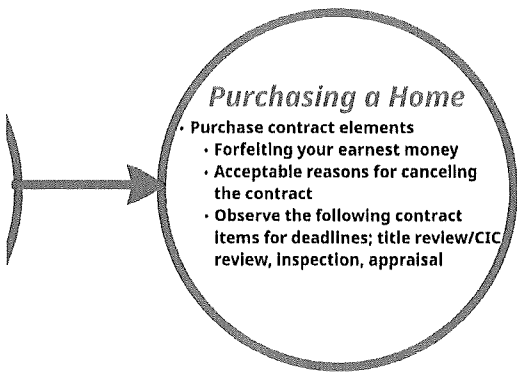
- Submit an offer
  - Broker and lender will develop an offer to buy
  - Buyer Agency Agreement
  - For Sale by Owner

11.

## *Purchasing a Home*

- Different ways to take title
  - Joint tenants
  - Tenants in common
  - Severalty

12.



## *Purchasing a Home*

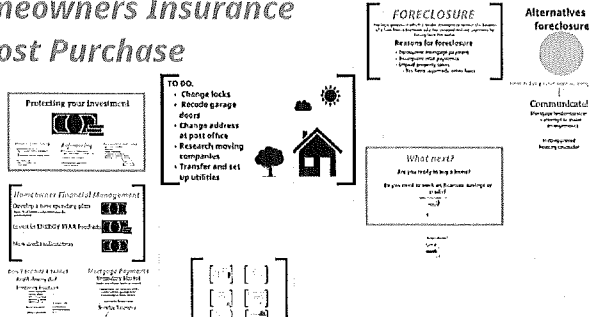
- Real estate property disclosure; contract attachments
  - Seller's Property Disclosure
  - Square Footage Disclosure
  - Lead-Based Paint Disclosure
  - Mold Disclosure
  - Bank Addendums
- Home Warranty

## *New Construction*

- Take your buyer's agent to the initial visit.
- Research the builder's reputation.
- Review covenants and HOA documents.
- Determine the property taxes.
- Don't close with outstanding items on the punch list.
- Consider an attorney's review of contract.
- Hire a third-party inspector.
- Get receipts and physically verify all upgrades.

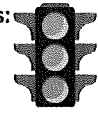


## Section 4 Homeowners Insurance & Post Purchase



## Homeowner's Insurance 101

- Coverage- What is coverage?
- Declarations page- lists coverage amounts
- Broken into a package of 3 parts:
  - A- Dwelling Coverage
  - B- Personal Property
  - C- Liability, including add-ons



1.

2.

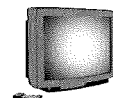
## Dwelling Coverage

- Amount that covers your home
- Straight Dwelling Amount- Insurance covers only to limit stated on "Dwelling" amount
- Extended Replacement Coverage- Insurance covers up to 120-125% of dwelling coverage amount
- Guaranteed Replacement Coverage



## Personal Property

- Your belongings
- Usually coverage is 50% to 75% of dwelling coverage
- Covered at Actual Cash Value or Replacement



3.

4.

## *Liability and add-ons*

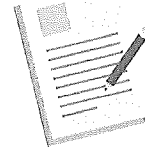
### Liability coverage

- Costs of defense
- Property damage
- Residential bodily injury
- Medical Payments-who does it cover?  
\$1,000-\$25,000

5.

## *Split Deductibles*

- One deductible for home, and a different deductible for roof
- Often 1-2% of the dwelling amount



6.

## *Flood Insurance*

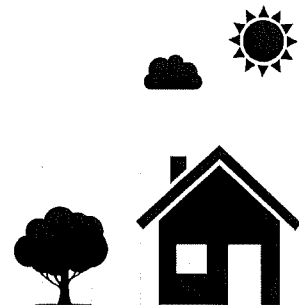


- Issued by National Flood Insurance Program
- Not required if not in designated flood zone, but still available
- No homeowner's policy covers "ground water", these issues would be related to poor construction or acts of nature

7.

### TO DO:

- Change locks
- Recode garage doors
- Change address at post office
- Research moving companies
- Transfer and set up utilities



8.

## Homeowner Financial Management

### Develop a new spending plan

Save 1% of home's value each year for maintenance



### Invest in ENERGY STAR Products



### New credit solicitation



9.

## DON'T BECOME A TARGET

### Avoid identity theft

### Predatory Practices

- Unsolicited goods or services offered
- Asking for up-front payment, personal information, etc

Who do they target?

What if I'm a victim?

Everyone. YOU.

Civil Rights Div,  
Attorney General,  
FTC

10.

## Mortgage Payments

### Secondary Market

Lender may sell your loan to an investor

Original lender will notify you of this transfer/sale via "goodbye letter"  
-Contact original lender to verify-

Loan terms do not change

### Service Transfer

11.

### Making your Mortgage Payment

Due on the 1st of the month

### ACH Options

Prepaying your mortgage

- One extra payment every year reduces a 30 year mortgage to 25 years

Biweekly payment options

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12.

## YOU'RE LATE!

Late= received after the 15th of the month

Late fees- 4-5% of the total past due amount

- Past 30 days late- reported to credit bureau

Late payments - Payment denial  
Lenders are now required to accept payment without the later charges. Borrower is still responsible for the late charges but the lender can apply the payment towards the mortgage.



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Tax

## Why did my payment change?

Escrow account analysis

- Property taxes and hazard insurance

Changes in interest rate

- ARM adjustments
- Temporary buydown adjustments

Tax adjustments on new construction

13.

14.

## Protecting your investment



### Preserving your equity

- Understanding true equity
- Passive equity- value via maintenance, etc
  - Active equity- value by reducing balance

Home Equity Loans

- 80% home equity loans
- Alternatives

### Refinancing

When is refinancing a good option?

- cost/benefit analysis on rate and term

Avoid unsolicited offers to refinance

- Avoid refinancing to pay off debt
- Cash-out refinance

### Maintaining your home

- Get to know your home
- Home safety
- Energy conservation
- Preventative maintenance
- Remodeling and major repairs
- Investing in your neighborhood
  - Asset building
  - Keeping records
  - Taxes and insurance
  - Protecting equity

## Preserving your equity

Understanding true equity

- Passive equity- value via maintenance, etc
- Active equity- value by reducing balance

Home Equity Loans

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15.

16.



# Refinancing

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17.

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  - Protecting equity

18.

# FORECLOSURE

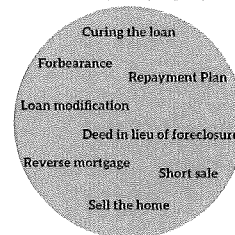
The legal process in which a lender attempts to recover the balance of a loan from a borrower who has stopped making payments by taking back the home.

## Reasons for foreclosure

- Delinquent mortgage payment
- Delinquent HOA payments
- Unpaid property taxes
  - Tax liens supersede other liens

19.

# Alternatives to foreclosure



20.

What do I do if I cant make my mortgage payment?

## Communicate!

Mortgage lender/servicer

- attempt to make arrangements

HUD-approved housing counselor

29.

## What next?

Are you ready to buy a home?

- Do you need to work on finances, savings or credit?

HOME BUYER EDUCATION POST TEST



30.

## HOME BUYER EDUCATION POST TEST



Tag us, Comment, leave a Review, post a pic on

/neighbortoneighborlarimercounty

@n2home

*we would love to hear from you*

31.

## HOME BUYER EDUCATION POST TEST



### Class Survey

Tag us, Comment, leave a Review, post a pic on

/neighbortoneighborlarimercounty

@n2home


*we would love to hear from you*

32.

# Congratulations!!



*Tag us, Comment, leave a Review, post a pic on*

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 @n2home

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