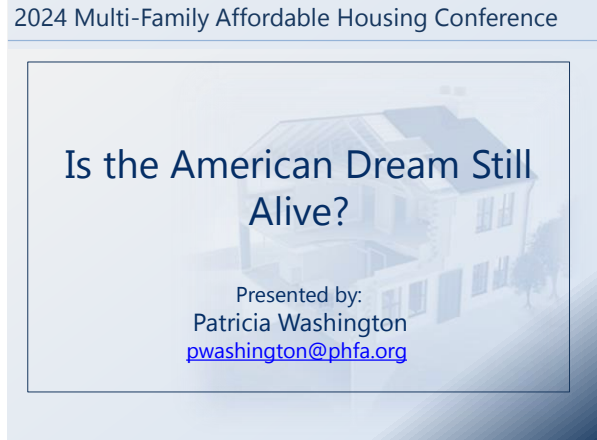




1



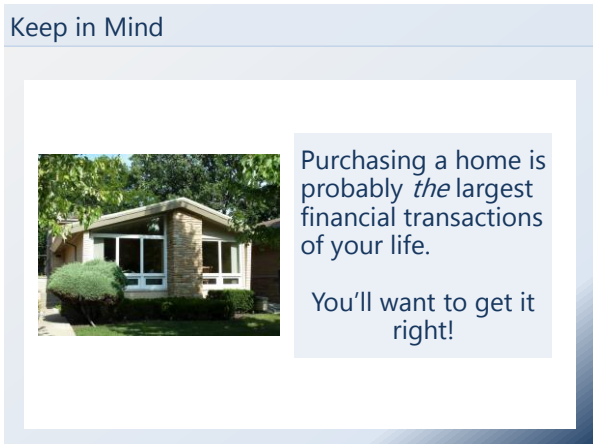
2



3



4



5



6

Pros of Homeownership



- A place to call your own
- Roots established for your family
- Vested interest in the community
- Financial benefits
- Accomplishment and pride

7

Cons of Homeownership



- Upfront and ongoing costs
- Decreased mobility
- Physical responsibilities
- Financial responsibilities
- Foreclosure

8

How do I know if I'm ready?



9

Am I Ready?



Why do you want to buy a house?



10

Am I Ready?

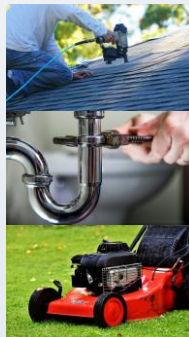


How long have you been thinking about buying a house?



11

Am I Ready?

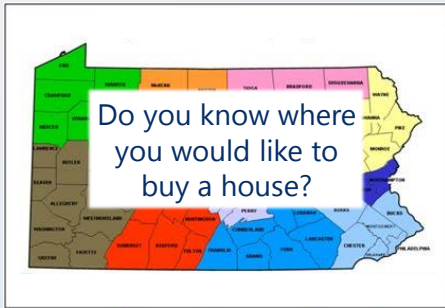


How do you feel about being responsible for maintenance and repairs?



12

Am I Ready?



13

Am I Ready?

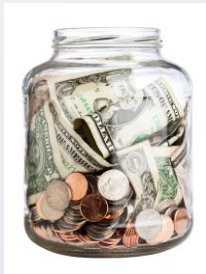


Have you looked at home prices in the area where you want to buy?



14

Am I Ready?



How much have you saved for a down payment?



15

Am I Ready?



How much debt do you have?



16

Am I Ready?



Have you reviewed your credit reports and know your credit score?



17

Am I Ready?



Have you met with a free, PHFA-network housing counselor to assess your individual situation?



18

Side Bar: Housing Counseling

HOUSING COUNSELING AND EDUCATION

PHFA has a statewide network of certified housing counselors who, subject to approval, are a variety of experts for both homebuyers and homeowners.

FOR HOMEBUYERS

- To help you understand the process of purchasing a home, our counselors provide both one-on-one counseling and group workshops to help you:
 - Identify your housing needs
 - Determine the price range that you can afford
 - Obtain an appropriate mortgage loan
 - Anticipate home ownership related financial demands
 - Improve your financial knowledge
 - Understand your credit information

FOR HOMEOWNERS

Education programs, home design demonstration and foreclosure prevention counseling can help homeowners get back on track with mortgage payments. Counselors also can provide advice about refinancing, money management, financial literacy and home preservation grants. One-on-one counseling and workshops are available.

HOW TO GET STARTED

To find a counseling agency near you, visit www.phfa.org or call 1-800-451-3862. Housing counselors are available Monday-Friday 9A-5P in PA 800.82.1346.



- Network of non-profit organizations across PA
- Pre-purchase counseling to assess homebuyer readiness
- Budget and credit counseling
- Action plan to get you there
- Financial coaching



19

Fair Housing Act of 1968



The Fair Housing Act protects people from discrimination when they are renting or buying a home, getting a mortgage, seeking housing assistance, or engaging in other housing-related activities.

20

Sound Money Skills



Starts with knowing:

What Comes In,
Where It Goes

What You Have,
What You Owe



21

What Comes In, Where It Goes

BUDGET



22

Creating a Money Map



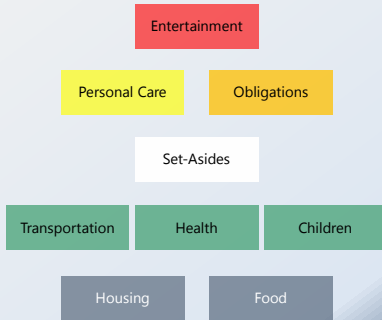
23

Identify Income



24

Track and Categorize Expenses



25

Calculate Cash Flow

$$\text{Cash Flow} = \text{Income} - \text{Expenses}$$



26

What We Own - Assets

27

Side Bar: Consequences of Eggs in One Basket

28

What We Owe

29

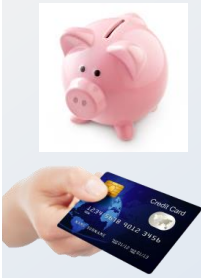
Net Worth

$$\text{Net Worth} = \text{Assets} - \text{Debt}$$



30

Next Questions



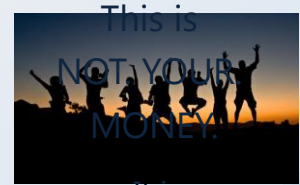
How much do you have saved for a down payment and closing costs?

How's your credit?



31

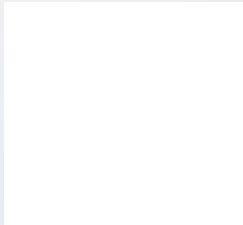
How's Your Credit?



It is OTHER PEOPLE'S MONEY!

32

Credit vs. Debt



Permission to use OPM

OPM used and must be repaid
OTHER PEOPLE'S MONEY!

33

The 5 C's of Credit

Capacity

Income

Capital

Cash

Collateral

Pledge

Character

Credit History

Condition

Economic, Political

34

Credit History – Credit Reports

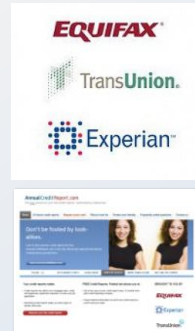


- Overall snapshot of using OPM
 - Who-lender, a.k.a creditor
 - What-revolving, installment, service
 - Date opened
 - Paid as agreed (or late)
 - Balance
- Compiled information from creditors
- Individual (not joint)
- Changes based on activity-payments (made, late or missed) applications, legal action, etc., typically on a monthly cycle



35

Free Credit Reports – Get Them and Check Them



Online : www.annualcreditreport.com (the one and only free site!!!)*
 Telephone: 877-322-8228
 Mail: Annual Credit Report Request Service
 P.O. Box 105281
 Atlanta, GA 30348-5281

*Note: Free credit reports do **not** contain your credit score.



36

Credit Scores – What’s Your Number?

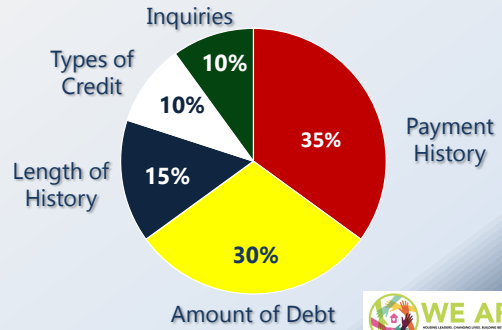


- A number which represents how likely a person is to repay a loan
- It is calculated by a complicated statistical program using the information contained in your credit report
- There are a variety of scoring models used for different lending purposes (auto loans, mortgages, credit cards, etc.)



37

Credit Scores – FICO Scoring Model



38

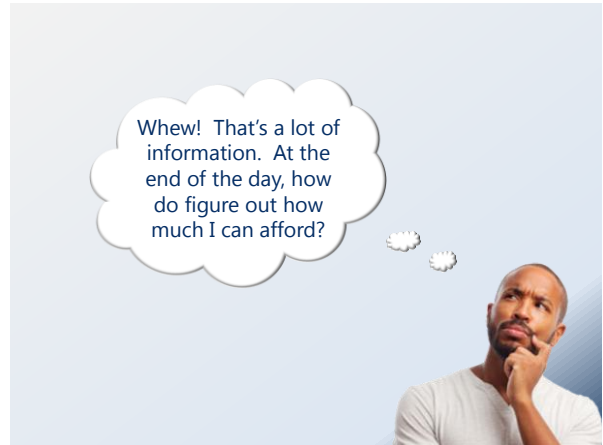
The Cost of Poor Credit

Credit cost for Pennsylvania consumers borrowing \$10,000 for a 48-month used auto loan*

FICO Score	APR	Monthly Payment	Total Interest Paid
720-850	7.440%	\$242	\$1,592
690-719	8.498%	\$246	\$1,831
660-689	10.116%	\$254	\$2,201
620-659	12.303%	\$265	\$2,712
590-619	15.854%	\$283	\$3,567
500-589	16.685%	\$287	\$3,772

*Source: myfico.com for rates quoted 5/14/24

39



40

Mortgage Affordability: Debt-to-Income (DTI)

Front-end (housing) Ratio:

How much of your gross monthly income can you put towards a monthly mortgage payment, including principal, interest, taxes, and insurance (PITI)?

Lenders typically set the limits, based on the loan program.

$$PITI \div \text{gross monthly income} \leq 28 \text{ to } 36\%$$

41

Mortgage Affordability - Example

Maximum Front-end Ratio

Gross monthly income: \$4,000
 Front-end maximum: 31%
 Maximum PITI: \$1,240

Question:
 Given your current lifestyle, could you afford a monthly mortgage payment of \$1,240?

42

Mortgage Affordability

Back-end Ratio:

How much of your gross monthly income can you put towards total debt payments including PITI, auto loan, student loan, credit cards, etc. (Maximum monthly debt service)

Lenders typically set the limits, based on the loan program.

$$\text{Max debt service} \div \text{gross monthly income} \leq 36 \text{ to } 45\%$$

43

Keep in Mind

Ratios are calculated using GROSS monthly income.

Consider:

- Deductions from pay
- Current non-housing living expenses
- Increase utility expenses
- Home maintenance
- Saving for major home repairs
- Other savings goals, i.e., college, retirement

44

Get the Go Ahead!



Pre-approved vs. Pre-qualified

45

Pre-qualification



Self-service:

- Calculate your own ratios
- Monitor savings for down payments
- Know your credit score



46

Pre-approval

LENDER



Meet with a lender:

- Review your pay statements and income taxes
- Review bank statements
- Review credit report and score
- Calculate ratios
- Discuss mortgage options
- Pre-approval letter

Time to Look For a House!

47

Keep in Mind



Purchasing a home is probably *the* largest financial transactions of your life.

You'll want to get it right!

48

Chat Share



49

Mortgage Terminology

A mortgage loan is a general term for loan that is used to purchase real estate. The property is used as collateral against non-payment of the loan obligation.

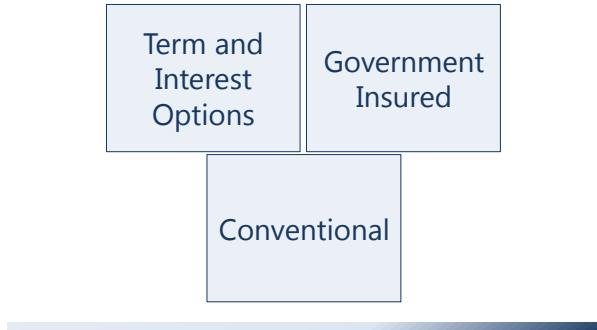
50

Mortgage Terminology



51

Types of Loans and Options



52

Types of Loans

Term and Interest Options

Term:

- Typically, 15, 20, 30 years
- Shorter terms (5-10 years) may have balloon payment where the balance is due in full.

Interest rate:

- Fixed (the same) for entire term
- Adjustable rate (changes) for a number of years, then fixed
 - Maximum increase per year
 - Maximum total increase over variable period

53

Types of Loans

Conventional

Conditions set by lender:

- Down payment
- Term and interest rate
- Qualifying ratios
- Minimum credit scores
- May require private mortgage insurance (PMI)

54

Types of Loans

Government Insured

Conditions set by federal agency (FHA, VA, RD)*:

- Down payment
- Term and interest rate
- Qualifying ratios
- Minimum credit scores
- Requires mortgage insurance (MI) or funding fee

*FHA – Federal Housing Administration
VA – Veteran's Administration
RD – US Department of Agriculture (Rural Housing)

55

Side Bar: Mortgage Insurance

Mortgage insurance is typically required when you make less than a 20% down payment.

It is NOT insurance that pays off the mortgage if you die, become disabled, or have a loss of income.

Mortgage insurance protects the lender up to 20% of the LTV in the event you default on the loan.

Private mortgage insurance (PMI) applies to conventional loans. PMI can be removed once LTV reaches 78%.

Mortgage insurance (MI) applies to FHA insured loans. MI can be removed after 11 years if borrower makes a 10% down payment.

Premiums may be required upfront at closing and/or ongoing as part of PITI.

56

Loan Estimates



Truth-in-Lending Act (TILA)
Real Estate Settlement Procedures Act



57

Loan Estimate

58

More Mortgage Terminology

Equity market value less principal balance

HOA Homeowner's Association

Jumbo loan Amount over guidelines

Deed Legal document that shows who owns a piece of real estate

Amortization Repayment of the loan in equal installments.

Interest Rate Cost you pay to borrow money

Earnest Money Payment made when an offer is presented to the seller to show the buyer is serious.

Interest-only option No payment allocated to principal for a set period of time.

Rate lock Locking loan interest rate during application

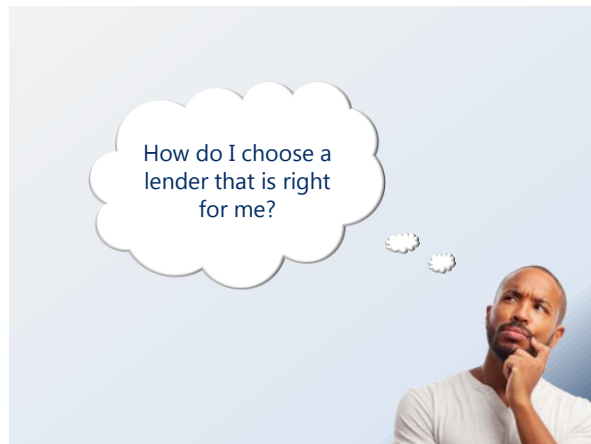
Escrow An account used to hold money for taxes and insurance when included in the mortgage payment.

Subprime loan High-cost for high-risk borrowers

Discount points Optional fee you can pay to the lender to lower the interest rate


Upside-down Principal balance exceeds market Value

59




60

Finding a Lender




A (mortgage) lender is a financial institution or company that offers home loan products.



61

Lender Responsibilities




- Funds loans
- Sets loan criteria
 - Debt-to-income ratios
 - Credit-worthiness
 - Interest rates
 - Terms
- Takes applications
- Underwrites loan
 - Evaluates application
 - Approves/denies
- Services loans
 - Collects payments
 - Disburses escrows
 - Foreclosure

62

Types of Lenders

Banks/Credit Unions	Mortgage Bankers	Mortgage Broker
<ul style="list-style-type: none"> • Deposit institutions • Variety of loan products • May or may not use their own deposits to lend to homebuyers • May or may not sell or the loan to investor • May or may not service the loan 	<ul style="list-style-type: none"> • Dedicated to mortgage lending • Use their own money to lend to homebuyers • May or may not sell or the loan to investor • May or may not service the loan 	<ul style="list-style-type: none"> • Intermediaries between lenders and borrowers • Compare offers from different lenders • Take applications • Lender may or may not sell or service the loan



63

Choosing a Lender







Types of loans

penNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES


Licenses and complaints

Loan fees

Turn around time

Communication

64



Created by the PA legislature in 1972, PHFA works to provide affordable homeownership (and rental apartments) for older adults, low-and moderate-income families, and people with special housing needs.

PHFA is a state-affiliated agency. Our programs and operations are funded through the income we generate from investment activity, program fees, and through financing programs.


65

Why Choose A PHFA Mortgage?



WHY CHOOSE A PHFA MORTGAGE?
Buying a home is scary. It's emotional. We pride ourselves as a housing agency with a heart and are here to walk you through the process to become a homeowner.

- Below-market interest rates available depending on income level and program selected
- 30-year fixed rate financing
- Up to \$20,000 (or more depending on the program) in repairs can be included with your home purchase
- Down payment and closing cost assistance up to 3% of sales price in certain areas known as second-step. Program over 70 years
- Additional down payment and access modification funding for households with a disabled person
- Conventional, FHA, USDA and VA loan types
- No third party servicing! All servicing done by specially trained PHFA staff
- Purchase price and income limits vary by program and county
- First time home buyer requirement not applicable in certain areas or for certain programs
- Home must be primary residence. Two-unit properties are eligible
- Borrower qualification includes:
 - Minimum contribution of \$1,000 for 1% of loan amount (if lower)
 - Credit score minimum of 620 (680 for conventional loans or if receiving down payment assistance)
 - Free housing counseling required prior to closing if credit score is below 680 (free to any applicant regardless of score)
- Underwriting guidelines follow FHA, USDA, VA or Finance Plus requirements as applicable
- Refinance and home repair programs also available



66



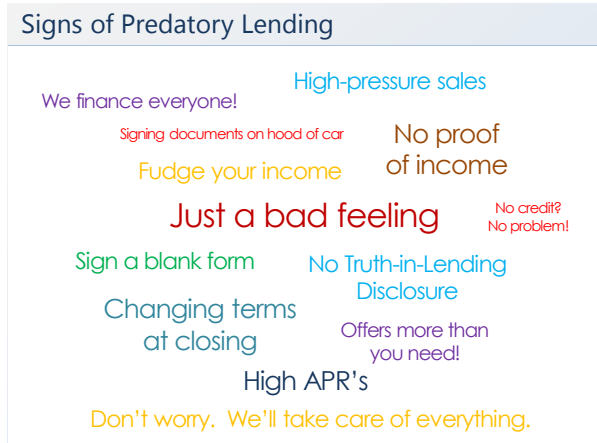
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68



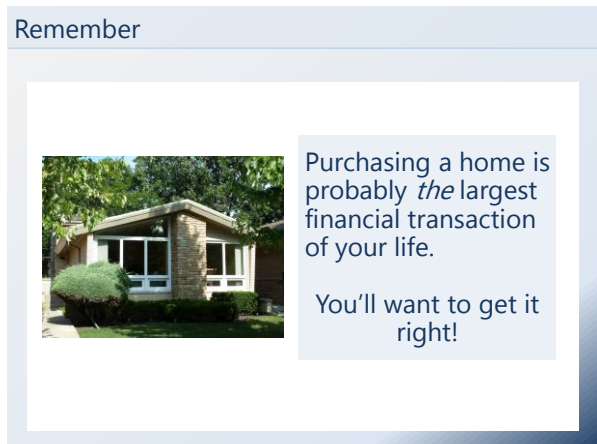
69



70



71



72

Chat Share

What is the most important thing you're looking for in a home?

73

Assessing Your Housing Needs

74

Location and Proximity

<p>Urban Suburban Rural Geography</p>	<p>Workplace Schools Transportation Shopping/restaurants Arts/entertainment Parks/playgrounds</p>
---------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------

75

Type of Home

<p>Single-family Duplex Condominium Townhouse Single-story</p>	

76

Systems

<p>Heating systems:</p> <ul style="list-style-type: none"> • Force hot air • Radiant • Fireplace • Pellet stove <p>Fuel sources:</p> <ul style="list-style-type: none"> • Electric • Natural gas • Propane • Oil • Wood • Pellets • Geothermal <p>Cooling:</p> <ul style="list-style-type: none"> • Central air • Window/wall units 	<p>Water supply:</p> <ul style="list-style-type: none"> • Public/city • Well <p>Sewage:</p> <ul style="list-style-type: none"> • Public/city • On-lot septic <p>Domestic plumbing:</p> <ul style="list-style-type: none"> • Copper • Steel • PVC <p>Electric service: 100/200amp</p> <p>Appliances:</p> <ul style="list-style-type: none"> • Electric • Natural gas
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

77

Bedrooms and Bathrooms

78

Parking and Outdoor Space

Parking:

- Garage
- Car port
- Driveway/off-street
- Public lot

Outdoor space:

- Yard
- Garden
- Patio
- Deck



79

Amenities



80

Where can I find a list of homes for sale?



81



82

Working With a Real Estate Agent

A *real estate agent* assists customers with buying and selling of real property (homes, land, commercial buildings, etc.). A real estate agent must be licensed to do so.

A *real estate broker* has more extensive real estate knowledge including legal issues and operating real estate brokerage business. A broker must pass the broker's license exam.

A *Realtor*® is a member of the National Association of Realtors®. Members must agree to the standards of the association and its code of ethics.



83

Working With a Real Estate Agent

A real estate agent can specialize in helping buyers, sellers, or both.

A *buyer's agent* represents the buyer and will assist by:

- Showing properties for sale
- Helping to negotiate an offer and write the agreement of sale
- Making sure deadlines are met

A *listing agent* represents the seller and will assist by:

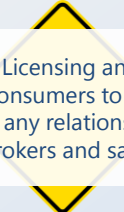
- Pricing their home
- Recommend improvements for showing the property
- Marketing the property
- Negotiating with buyers



84

The Consumer Notice

The Real Estate Licensing and Registration Act (RELRA) requires consumers to receive the notice so they understand any relationship they may have with real estate brokers and salespersons (agents).



85

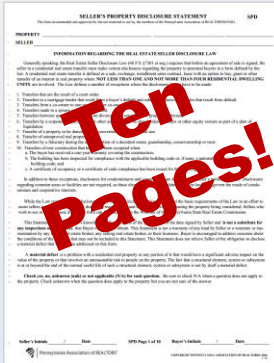
Touring a Property – General Considerations



- Checklist
- Ignore the décor!!
- Flush toilets and run faucets
- Open cabinets/closets
- Check basement for moisture (visual/smell)
- Vegetation against house
- Check condition of doors and windows
- Interior signs of water damage of roof or plumbing leaks
- Electric service panel
- Check condition of deck/patio

86

Seller's Disclosure



Ten Pages!

87

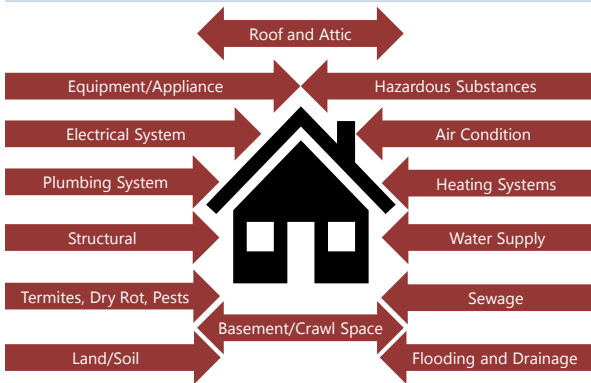
Seller's Disclosure

The seller is required to disclose all known material defects that would have a significant adverse impact on the value of the property or involves unreasonable risk to people on the property.



88

Seller's Disclosure



89

Making an Offer



- Before you sign:
- Ask for a comparative market analysis (CMA)
 - Rerun your numbers, including taxes and insurances
 - Understand market conditions



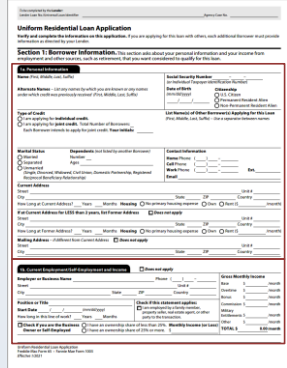
90

First call: Your LENDER!



97

Uniform Residential Loan Application



Personal information:

- Name(s)
- Social Security #
- Date of birth
- Citizenship
- Individual/joint
- Marital status
- Dependents
- Current address (for former)

Employment and income:

- Both borrowers
- Former employer(s) if less than two years
- Income from other sources

98

Second call: Schedule inspections!



99


Inspections




- Whole house inspection
- Environmental hazards (mold)
- Radon
- Wood infestation
- Water (well)
- On-lot sewage
- Lead-based paint (built prior to 1978)

100

Whole House Inspection



- **BE THERE!**
- Take notes
- Ask questions



101

Inspection Findings

Yes - Wait





None - Go!



Structural, building code violations, safety issues, basements, attics, roofing, chimney/furnace, well/septic issues, electrical/plumbing systems, lender required repairs, etc.



102

Inspection Findings

Ask seller to repair

Seller agrees and makes repairs.

Seller agrees with your repair proposal.

Seller doesn't agree, end of contract

103

Caution

Some things to keep in mind

Sellers are not generally responsible for cosmetic repairs, i.e., new carpeting, striping wallpaper, painting, etc. If they agree, it will be their choice of color, quality, etc.

Sellers may not repair with high-quality materials or workmanship. Remember, they don't want to spend any more money on a house in which they won't be living.

Negotiating a lower sales price doesn't take care of the issue if *you* don't have the cash to make the repairs after closing. Remember your loan amount is based on sales price. You won't be able to borrow more to take care of the repairs.

104

Third call: Title/Closing Agent

105

Title/Closing Agent's Responsibilities

Closing prep

Prepare deed, closing disclosure documentation, collect and disburse money

Title insurance

Secure title insurance policy for lender and, if opted, buyer

Order survey if necessary

Discrepancies of property boundaries

Search title records

Liens, claims, easements, etc.

106

Fourth Call: Homeowner's Insurance

107

Homeowner's Insurance

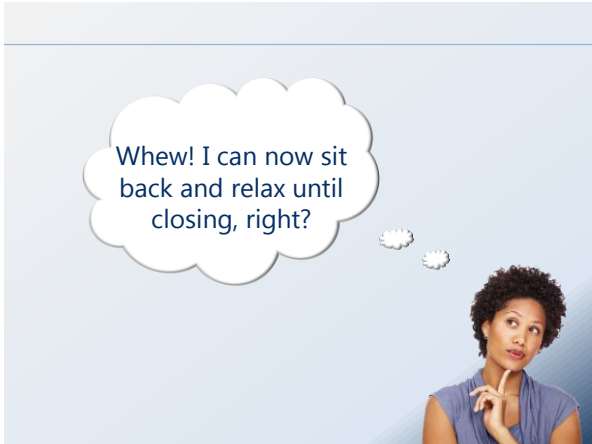
Protect against natural disasters

Protect personal liability

Protect personal property

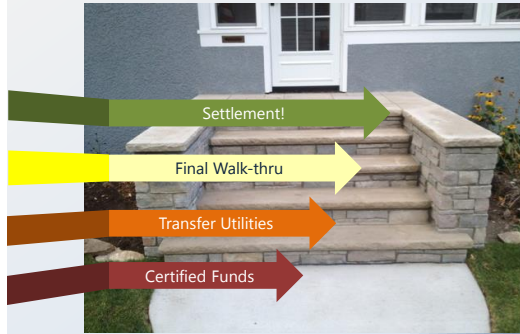
Protect dwelling and out-buildings

108



109

In the "Home" Stretch



110

Certified Funds



- Make sure all funds deposited in checking/savings account at least 10 business days before settlement
- No personal checks allowed
- Certified or bank check with funds needed for settlement
- Visit bank/credit union day before closing



111

Transfer Utilities



- Cancel existing services and establish service for new home
- Electric, water/sewer, fuel source, trash service, telephone/cable/internet, etc.
- You may need deposits, i.e., for rented equipment



112

The Final Walk-thru



- Take notebook and contract
- Broom clean, no debris/trash
- Check for any damage that may occurred in seller's move
- Check for any change in agreed upon condition, reserves, removals, etc.



113

Settlement



114

Friendly Reminder!



Purchasing a home is probably *the* largest financial transaction of your life.

You'll want to get it right!

115

Chat Share Break!

What is the most important thing to do at the closing table?



116

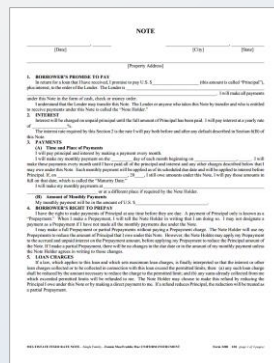


Making the Promise to Pay



117

The Promissory Note

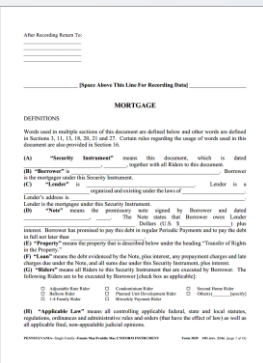


- I promise to pay:
- Principal and interest to lender
 - Interest at stated rate
 - Monthly payments and due date



118

The Mortgage



Definitions

- Security instrument
- Borrower
- Lender
- Note
- Riders



119

Wait, There's More!



- Initial payment information
- Initial escrow disclosure
- Documentation on riders
- Deed (transfer of title)
- Title documents (insurance)
- Transfer tax declaration
- Affidavits (sworn statements)



120

Getting the Keys!



121

Chat Share!

What is the first thing you will do when you get the keys?



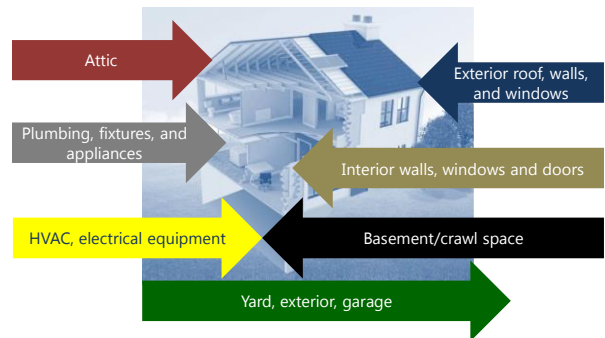
122

Safety First



123

Home Maintenance



124

DIY Home Improvement



- Plan, don't wing it
- Research permits
- Do your homework
- Add value
- Splurge responsibly
- Have the right tools
- Take classes
- Know when to say "when"



125

Hiring a Home Improvement Contractor



- Make a plan
- Research financing options
- Research permits
- Get recommendations
- Research contractors (rule of three)
- Check for complaints
- Proof of insurance
- Ask for references, before and after photos, etc.
- Get written, itemized estimates
- Get everything in writing
- Don't pay in-full, upfront

126

Foreclosure Prevention



- Monitor your money map
- Prioritize mortgage loan payments
- Meet with a PHFA housing counselor
- Call your servicer, ask for options
- Don't ignore notices
- Be cautious of quick fixes

127



128

Final, Final, Final Reminder



Purchasing a home is probably *the* largest financial transaction of your life.

You'll want to get it right!

129



130



131

Which of the following is not included in the mortgage payment?

- A. Principal
- B. Interest
- C. Taxes
- D. Title Insurance



132

Title Insurance

Title Insurance protects the lender (and the buyer if purchased) for any past claims to the title of the property.



133

Which of the following is a government-insured loan?

- A. Conventional
- B. FHA
- C. Interest-only
- D. Variable Rate



134

FHA

You can get USDA, VA and FHA loans at banks & credit unions. Conventional means the qualifications are set by the lender, not the federal government.



135

What item is not needed at Closing?

- A. Certified/Cashier's Check
- B. Personal Checkbook
- C. Lucky Pen
- D. Sales Agreement



136

Lucky Pen

A lucky is nice to have, but it is not needed at the closing table.



137

Which of the following proves that the buyer is serious about their offer to purchase a property?

- A. Grants & Gifts
- B. Downpayment
- C. Closing Cost
- D. Earnest Money



138

Earnest Money

Earnest money is provided at the time the sales agreement is created and offered to the seller. The earnest money would be used towards the transaction at the closing table.



139

Which of the following is a responsibility of a lender?

- A. Shows properties to potential buyers
- B. Underwrites the loan.
- C. Sells private mortgage insurance.
- D. Secures title insurance.



140

Underwrites the Loan.

Lenders review the borrower's financials to make sure that the borrower qualifies for a mortgage loan.



141

Which of the following was enacted in 1968 to protect people from discrimination when renting or buying a home?

- A. Fair Lending Act
- B. Equal Housing Act
- C. Fair Housing Act
- D. Houses Over Fences Act



142

Fair Housing Act

A federal law enacted in 1968 that prohibits discrimination in the sale, rental and financing of housing based on race, color, religion, national origin, sex, disability, and familial status.




143



144

Which of the following is included in the front-end or housing debt-to-income ratio?


- A. Net monthly income
- B. Student loan debt
- C. PITI
- D. Utility expense



145

PITI

The housing debt-to-income ratio is calculated by dividing the monthly PITI into the borrower's gross monthly income.



146



147