



First Time Homebuyer Education

March 9, 2022

Instructor: Anne Kuszpa, Executive Director

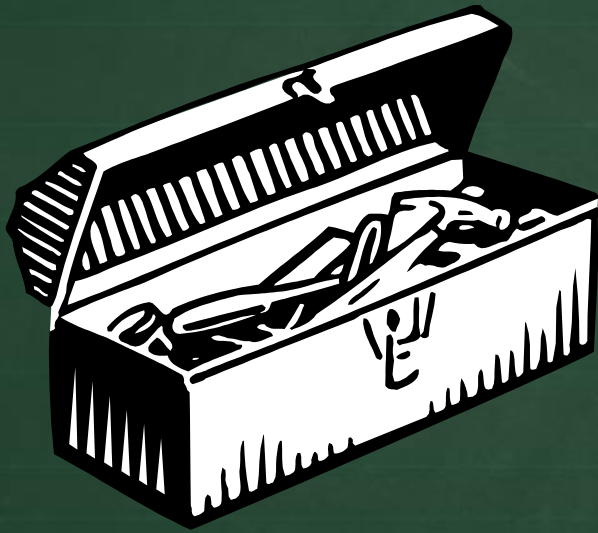


I - Introduction

- Purpose and Goals of Homebuyer Counseling
 - Determine your home buying readiness
 - Develop strategies to achieve homeownership
 - Educate yourself on the home buying process



I - Introduction

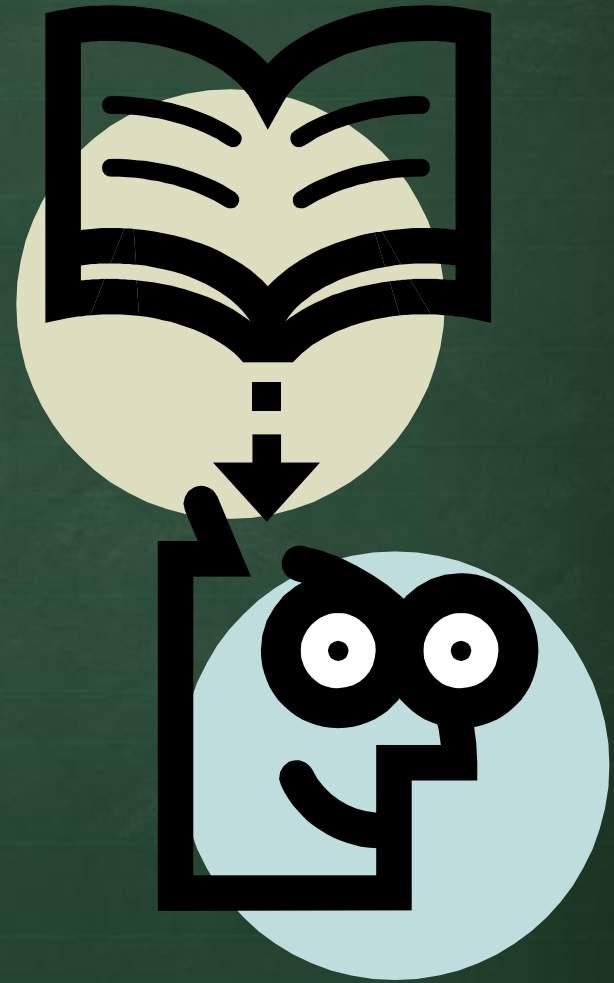


■ Major Elements

- Understanding the process
- Introduction to practitioners
- Information about the steps
- Providing tools

I - Introduction

- Course Will Include
 - Budgeting and Credit
 - The Search Process
 - Mortgages
 - Legal
 - Home Inspections
 - Appraisals
 - Insurance
 - Local Affordable Housing Options
 - Successful homeownership



I - Introduction

Housing Nantucket (NHA Properties Inc.):

Housing Nantucket is a private, not-for-profit corporation whose mission is to create affordable housing opportunities for Nantucket.

Primary focus areas: Affordable Homeownership, Affordable Rental Housing Provider, and Community Education



I. Introduction

- Advantages and disadvantages of homeownership
- Homebuyers Roadmap
- Role of Professionals
- Doing your homework on the property



II - Budgeting

Budgeting Learning Objectives

- In this session, we will set you on a path to:
 - Identify/Develop your financial goals
 - Examine how financial values come into play
 - Discuss basic budgeting terminology and principles
 - Explore tools to develop your personal budget
 - Talk about challenges and barriers to budgeting
 - Discuss ways to track your financial health and progress



II - Budgeting

- What is Budgeting?
 - A plan
 - A guide
 - A strategy



II - Budgeting

Why is budgeting important?

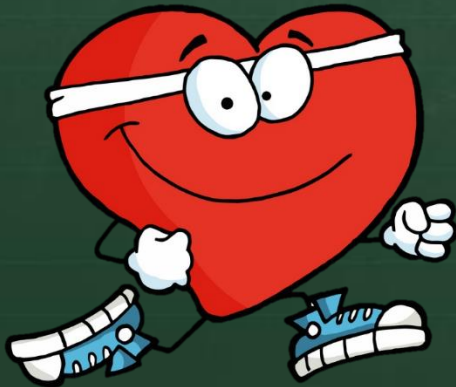
- Take control of personal spending, saving, and debt
- Encourage mindful spending
- Avoid overspending
- Relieve stress



II - Budgeting

Health and \$\$

- Studies show people in debt have higher blood pressure levels and exhibited more depressive symptoms than their debt-free counterparts.
- The higher the debt-to-asset ratio, the higher perceived stress and depression and worse self-reported general health.



(Sweet, McDade, Adam & Nandi, 2003)



Start From Scratch

- Whether you have a budget that is giving you challenges or have never created one - wipe the slate clean!
- Have a healthy dose of skepticism toward information available on finances; choose websites, books, and magazines wisely
- Empower yourself to become an expert on your personal finances.





II - Budgeting

Does your spending match your financial values?

- Values determine how we use our money
- Financial goals are an extension of values
- Financial hardship often comes when we stop paying attention to the connection between our values and our money:
 - Family
 - Vehicles
 - Education
 - Vacations
 - Entertainment/Recreation
 - Personal care
- Write down 5 values you hold central to your identity
- Get your spouse/family on board



II - Budgeting

Step II: Develop a Budget - Where are you now?

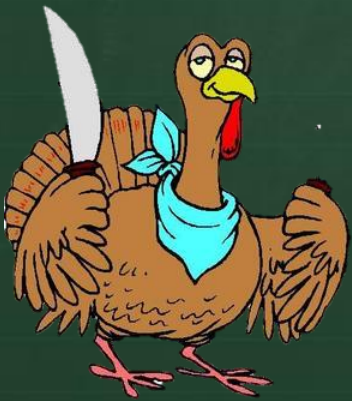
- Net Worth
 - Assets
 - Liabilities
- Net income
- Expenses
 - Fixed expenses
 - Discretionary expenses



II - Budgeting and Credit

Begin with your Net Worth statement

- Your Financial Snapshot: The Net Worth Statement
- Your personal net worth is the difference between all of your assets (things you own) and liabilities (debts you owe)
- Your net worth statement is a complete list of all of these items and their current values
- Concrete knowledge (not a "guesstimate") of net worth allows for the best starting point for the budgeting process



II - Budgeting and Credit

Assets

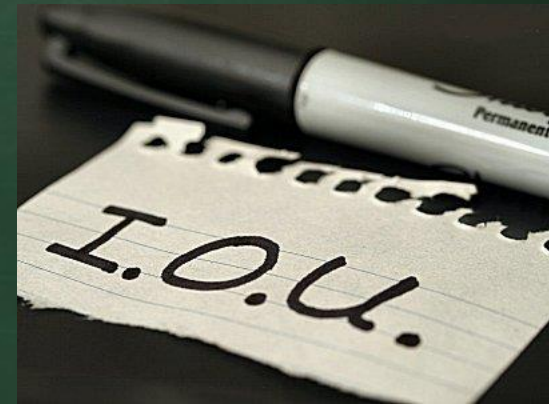
- Cash Equivalents
 - Bank and money market accounts, CDs, cash on hand
- Investments
 - Stocks, bonds, mutual funds
- Retirement Funds
 - 401K/Pension Funds, IRAs
- Personal Property
 - Vehicles, boats, jewelry, furniture, electronics
- Money Owed to You
 - Rental Deposits/Utility Deposits



II - Budgeting and Credit

Liabilities

- Loans
 - Vehicle Loans
 - Student Loans
 - Mortgage
 - Home Equity Loans
 - 401(k) Loans
- Credit card balances
- Taxes owed
 - Real Estate Taxes
 - Unpaid Income Taxes
 - Quarterly Estimated Taxes
- Other Debts
 - Unpaid Bills Due
 - Alimony
 - Child Support



II - Budgeting

Your Net Worth Statement

- Add up all assets and subtract cumulative liabilities
- If number is positive, *CONGRATS!* You have a positive net worth. Your goals will be focused on building wealth
- If the number is negative, **DO NOT DESPAIR**
 - Your journey begins with working toward positive net worth



II - Budgeting

Identify Short-Term Financial Goals

- Determine goals for the near future (1-2 years)
- Start small
- Pick 2-3 goals and **write them down**
- Display them in a location where you will be reminded of them often.



II - Budgeting

Set priorities:

- Decrease spending
- Increase income

Set goals:

- Reduce debt
 - Eliminate credit card debt, pay off car
- Increase savings
- Establish an emergency fund, save for a down-payment



II - Budgeting

Why Financial Goals are Important

- Working toward goals brings a sense of accomplishment and diminishes stress.

"Goals are like the wheels on your car; they keep you moving in the direction you want to go, and you won't get very far without them." - Davidoff



II - Budgeting

Develop Your Budget

- Your Budget = your tool for attaining your goals
- The term "budget" can bring negative imagery to mind (penny-pinching, stress, etc.). Choose your 'tude!
- A budget is a spending plan. Nothing more.
- Controlling spending makes saving effortless.



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II - Budgeting

Signs of a Good Budget

- It should be realistic
- Has some flexibility to meet the changing demands of life
- Allows progress toward your goals
- Should be simple enough that you can manage it in the time you allot
- Should reflect your financial values



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II - Budgeting

Customizing Your Budget

- List and add all your sources of income for one month (MONEY IN):
 - Wages from job/s
 - Student Loans (a monthly total)
 - Child support/alimony
 - Rental income
 - Interest income/Dividend income
 - Child support and/or Alimony Income
 - Other sources of income (family support?)



II - Budgeting

Customizing Your Budget

- Next, list all of your expenses for one month (MONEY OUT):
 - Savings (list me first)
 - Mortgage or Rent
 - Utilities
 - Auto Expense/Other Transportation
 - Tuition
 - Groceries/Eating Out
 - Insurance (auto, medical, home)
 - Medical Expenses (out-of-pocket)
 - Entertainment/Recreation
 - School Supplies (Computer, Books, etc)
 - Child Care
 - Credit Card Payments
 - Clothing/Shoes
 - Gifts and Donations
 - Household/Personal Care Products
 - Miscellaneous



II - Budgeting

Recommended Guidelines

- Rent/Mortgage - 30%
- Utilities/Phone - 10%
- Transportation - 10%
- Groceries/Dining Out - 12%
- Savings - 7%
- Retirement - 3%
- Entertainment - 5%
- Medical 5%
- Gifts/Donations - 10%
- Clothing/Shoes - 5%
- Misc. - 3%



II - Budgeting

Setting Budget Figures

- Figure out where your money is going now - how much to each category and use that as a guide
- Track small expenditures
- Set a realistic spending goal for each category
- Plug "spending leaks"
 - Impulse buys
 - Grocery indulgences
 - Gifts
 - Personal care items
 - Over-purchasing (phone plans, cable TV)



II - Budgeting

Monitor Progress

- Track spending
 - Manually or electronically
 - Online banking spreadsheets
 - Legal pad
 - Envelope method
- Monitor progress
- Check in every other month for 12 months
- Celebrate each victory



II - Budgeting

Tips to Stay on Track

1. Educate
2. Budget!
3. Save
4. Pay cash
5. Consider opportunity costs
6. Use automatic savings withdrawal
7. Shop smart
8. Track credit score
9. Plan for emergencies - medical insurance
10. Believe in yourself



II - Budgeting

- Budgeting as a Renter vs. Budgeting as a Homeowner
 - Costs of homeownership
 - Differences in expenses



III. Credit

- **Credit Reports**

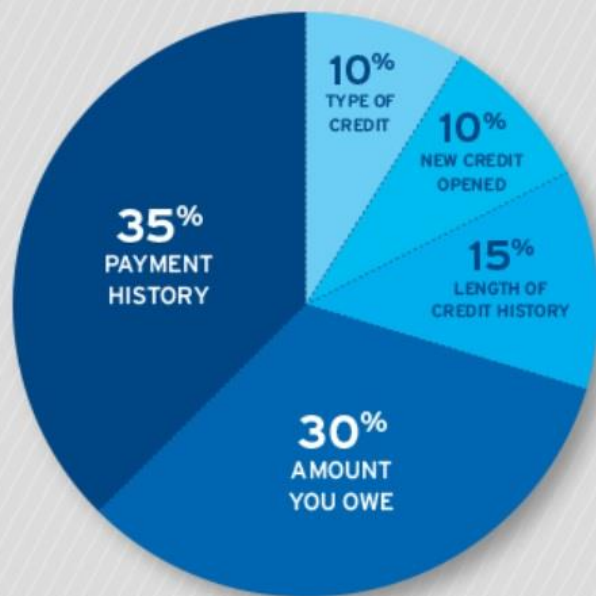
- www.annualcreditreport.com
- What a credit report includes
- How to read your credit report
- How to change a credit report



III. Credit

FICO® Scores: What You Need to Know

Score Deciding Factors



What Your Score Means to Lenders

- 800 - 900 EXCEPTIONAL
- 740 - 799 VERY GOOD
- 670 - 739 GOOD
- 580 - 669 FAIR
- 250 - 579 RISKY



III. Credit

■ Building a Credit History

- Buying a home if you have no credit history:
 - Rent payment receipts
 - Money order receipts
 - Car insurance payment history
 - Utility payment receipts



III. Credit

Signs of Credit Problems:

- Near the limit of lines of credit
- More than 15% of take-home pay for debt
- Make only minimum payments

Repairing Credit:

- Cut up credit cards
- Renegotiate payments
- Contact creditors
- Make payments on time



Guest Speaker:

Beth Ann Meehan,

Mortgage Loan Officer

Cape Cod 5 Cents Savings Bank



VI - Obtaining a Mortgage

- Types of Lenders
 - Banks
 - Mortgage companies
 - Credit unions
 - Secondary Market
 - Fannie Mae
 - Freddie Mac
 - Other Players
 - FHAVA
 - MassHousing (MHFA)

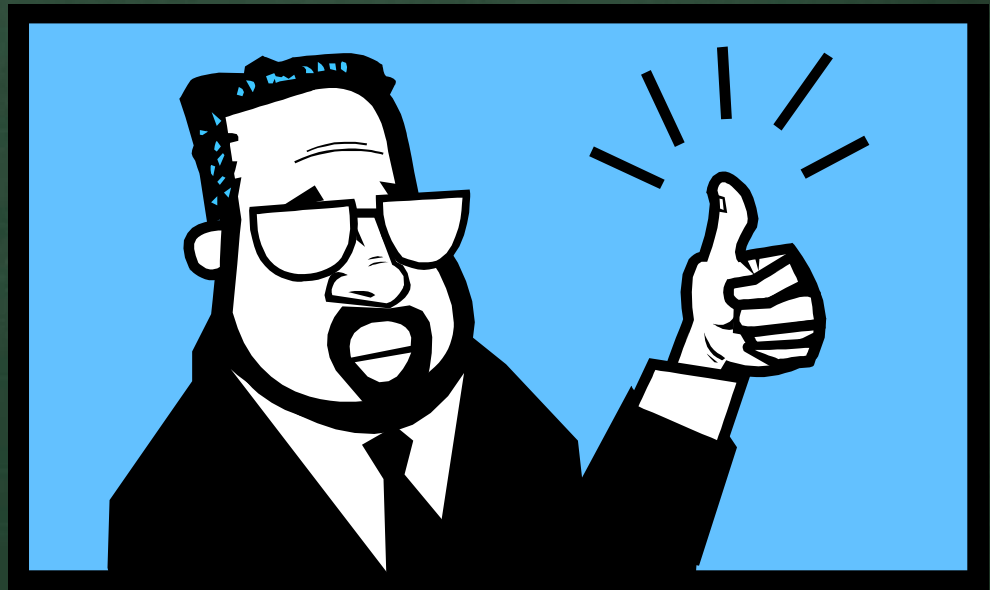


VI - Obtaining a Mortgage

- Pre-qualification vs. Pre-approval

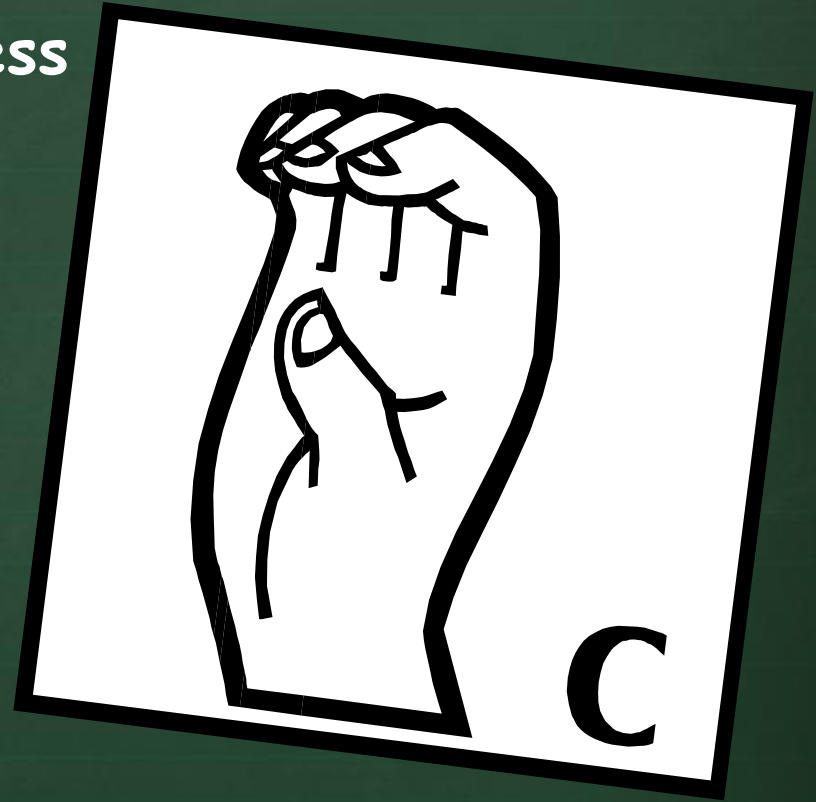
- Pre-qualification

- Pre-approval



VI - Obtaining a Mortgage

- Mortgage Application Process
- The "four Cs"
 - Capacity
 - Capital
 - Credit
 - Collateral



VI - Obtaining a Mortgage

- Information required for the mortgage application:
 - Pay stubs
 - W-2s and signed federal income tax returns
 - Landlord name and address or canceled rent checks
 - Employer name and address
 - Copy of signed P&S
 - Bank statements
 - Stock and bond statements
 - Information on loans



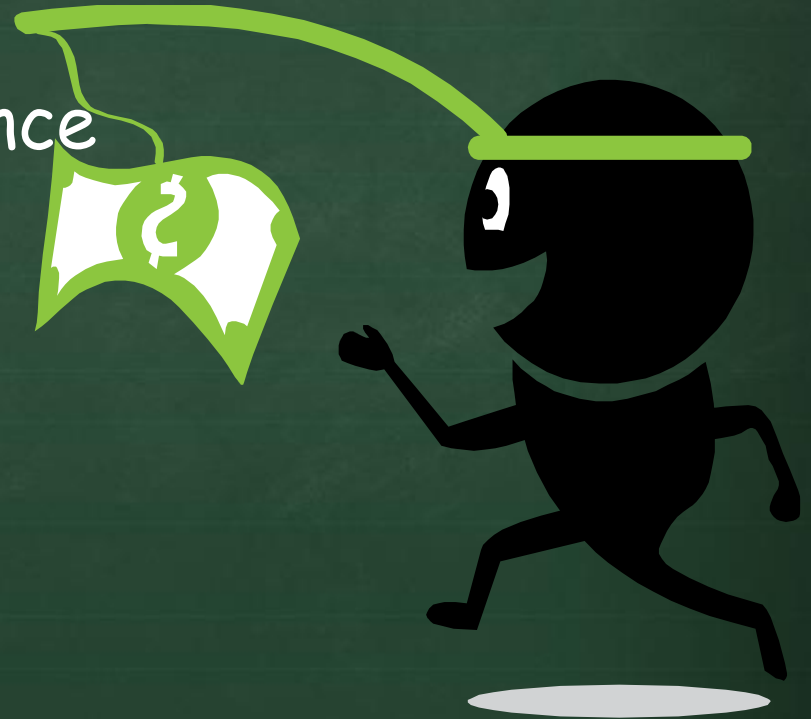
VI - Obtaining a Mortgage

- Information required for the mortgage application:
 - Credit card statements
 - Green card
 - Name of real estate agent
 - Canceled earnest money deposit
 - Copy of divorce decree, separation agreement and or child support information
 - Information on other real estate owned
 - Self Employed?
 - Additional Info (for example: change in jobs, gap in employment, recent graduate)



VI - Obtaining a Mortgage

- Down Payment
- Closing Costs
- Private Mortgage Insurance



VI - Obtaining a Mortgage

■ Anatomy of a Mortgage Payment

■ PITI=

- Principal
- Interest
- Taxes
- Insurance



VI - Obtaining a Mortgage

■ Types of Mortgages

- Fixed-Rate
- Adjustable Rate

Factors to consider when deciding on the best type of loan



VI - Obtaining a Mortgage



- Special Mortgage Programs
 - ONE Mortgage
 - Purchase rehab mortgage
 - Other mortgage programs

Different terms and conditions

- Construction loans

Information on local programs

VI - Obtaining a Mortgage

- Shopping Around for the Best Mortgage
 - Interest rate
 - Other loan terms
 - Interest rate lock-in
 - Origination fee
 - Application fee
 - Points



VI - Obtaining a Mortgage

- Shopping Around for the Best Mortgage
 - Annual percentage rate
 - Down payment requirement
 - Eligibility criteria
 - Qualifying ratios
 - Closing cost estimate
 - Processing time



VI - Obtaining a Mortgage

▪ Sub Prime and Predatory Lending

- Sub Prime Loans

- Higher interest rate for people with lower credit scores

- Predatory Loans - Never a good idea!

- More expensive
- Excessive fees
- Pre-payment penalties
- Stripped of equity

Shop around to make sure you are getting the best deal



VI - Obtaining a Mortgage

■ Determining Which Program Best Suits Your Needs

- Learn about loans and eligibility requirements
- Review your financial situation
- Match up the best type of loan with your financial situation and the property you wish to buy



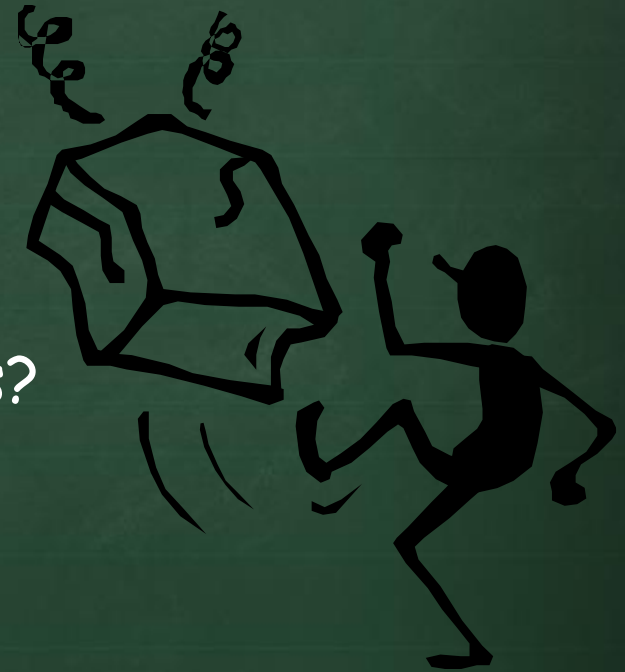
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VI - Obtaining a Mortgage

- **If Your Loan Application Is Rejected**
Find out why
 - Poor credit history?
 - Low appraisal?
 - Insufficient income or assets?



VI - Obtaining a Mortgage

- Fair Lending - equal access to credit for anyone who is qualified



ONE mortgage - Mass Housing Partnership

- Put down as little as 3 %
- Get a low fixed income rate
- Pay no Private Mortgage Insurance
- Get financial assistance if you qualify



VI - Obtaining a Mortgage

ONE mortgage - Am I eligible?

- First-time homebuyer (or have not owned home in the three years prior)
- Completed a first-time homeownership education workshop.
- Meet income guidelines (next slide)
- Have less than \$75,000 in total household liquid assets and credit score of at least 640
- Property must be primary residence throughout the term of the loan.
- Maximum loan amount for single family is \$647,200

VI - Obtaining a Mortgage

ONE mortgage - Qualifying Incomes

Borrowers whose total household income does not exceed 100% of area median income may qualify for the ONE Mortgage Program. Borrowers below 80% area median income may be eligible for MHP subsidy.

Nantucket

| Household Size | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|-------------------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| 80% Income Limit | \$58,950 | \$67,350 | \$75,750 | \$84,150 | \$90,900 | \$97,650 | \$104,350 | \$111,100 |
| 100% Income Limit | \$73,700 | \$84,200 | \$94,700 | \$105,200 | \$113,650 | \$122,100 | \$130,450 | \$138,900 |



First Session Wrap-up

- Questions, Comments, or Concerns?
- See you next class - March 16th at 6pm
- Contact Housing Nantucket at:
 - 508-228-4422
 - info@housingnantucket.org
 - www.housingnantucket.org

