



THE AMERICAN DREAM

HOMEBUYER EDUCATION



Empowering people to lead financially healthy lives.

GREENPATH SERVICES



FINANCIAL
ASSESSMENTS



HOUSING
COUNSELING



BANKRUPTCY
COUNSELING



DEBT
MANAGEMENT



HOW MUCH CAN I AFFORD?



CASH FUNDS REQUIRED



PRE-QUALIFICATION VS PRE-APPROVAL



SHOPPING FOR HOMES & LOANS



THE CLOSING



HELPFUL REMINDERS





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WHAT CAN YOU AFFORD?

Annual Income x 2.5

\$

GOAL:
Smallest Possible Mortgage



SPENDING GUIDELINES

- 35% HOUSING
- 25% LIVING EXPENSES
- 15% TRANSPORTATION
- 15% DEBT
- 10% SAVINGS

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IMPORTANT TERMS

DOWN
PAYMENT

EARNEST
MONEY
DEPOSIT

CLOSING/
SETTLEMENT
COSTS

POST-
PURCHASE
RESERVE
FUNDS



HOMEOOWNER'S
INSURANCE

PROPERTY TAXES

COMMUTING COSTS
What are some costs of
homeownership that
people typically forget?
HOME MAINTENANCE

UTILITIES

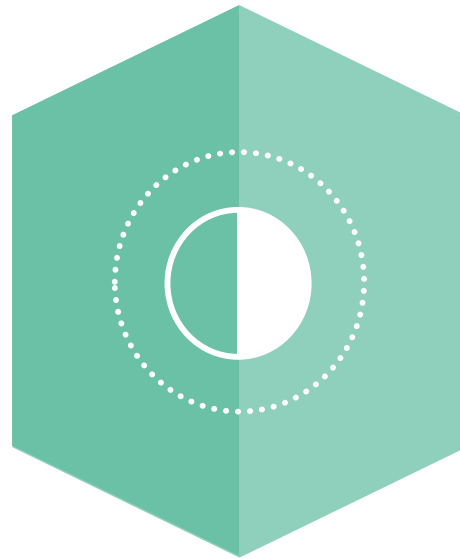
FURNITURE

QUALIFYING RATIOS

HOUSING RATIO *Front End Ratio*

- *Potential mortgage payment*
- *Property taxes*
- *Homeowners insurance*

Gross monthly income



DEBT RATIO *Back End Ratio*

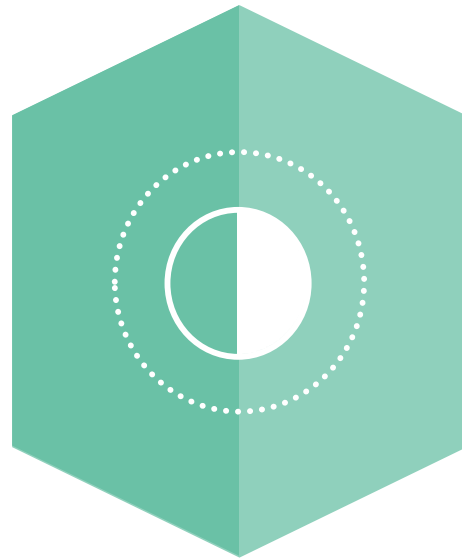
- *All monthly debt obligations (potential mortgage payment, credit cards, student loans, auto loans, etc.)*

Gross monthly income

QUALIFYING RATIOS

Example

- *Gross Monthly Income= \$3000*
- *Monthly Housing Expenses= \$800*
- *Other Monthly Debts= \$300*



HOUSING RATIO
Front End Ratio

$$\$800 / \$3000 = .27 \text{ or } 27\%$$

DEBT RATIO
Back End Ratio

$$(\$800 + \$300) / \$3000 = .37 \text{ or } 37\%$$



DREAMS vs **GOALS**



What's the difference?



SMART GOALS

SPECIFIC

MEASURABLE

ATTAINABLE

REALISTIC

TIMELY

FAMILY BUDGET

Make it a family affair so everyone can be on the same page when it comes to money decisions.



TRACK EXPENSES



Money Management System

UTILITIES

Expenses	Amount Budgeted Monthly	Track Your Spending				Need to Adjust?	
		Week 1	Week 2	Week 3	Week 4	Actual Total	Over or Under
Gas	\$200.00	\$ 40.00	\$ 50.00	\$ 30.00		\$120.00	\$80.00
Electric	\$115.00			\$ 140.00		\$140.00	\$25.00
Telephone	\$30.00				\$ 30.00	\$30.00	\$0.00
Cell Phone	\$84.00				\$ 84.00	\$84.00	\$0.00
Internet / Cable	\$30.00				\$ 30.00	\$30.00	\$0.00
Water / Sewage	\$15.00	\$ 20.00				\$20.00	\$5.00

MORE RESOURCES

[www.greenpath.com/
university/resources](http://www.greenpath.com/university/resources)



MORTGAGE CALCULATOR

[www.greenpath.com/
resources/financial-
calculators](http://www.greenpath.com/resources/financial-calculators)

bankrate.com
Current mortgage interest rates



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PRE- QUALIFICATION



Informal determination of the maximum amounts you can borrow.

No guarantee of financing.

Still need to complete qualification process at time of purchase.

PRE- APPROVAL

Formal commitment from the lender for a loan up to a set amount.

Offer stands for a limited time. (Typically 60-90 days)

Still need to meet qualification requirements at time of purchase.



Pending any major financial changes, the financial institution will likely approve the loan for the same terms as the pre-approval letter.





REMEMBER YOUR
BUDGET WHEN
HOUSE HUNTING

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NEGOTIATING THE DEAL



What kind of things might you negotiate during the purchase of a home?

INSPECTION



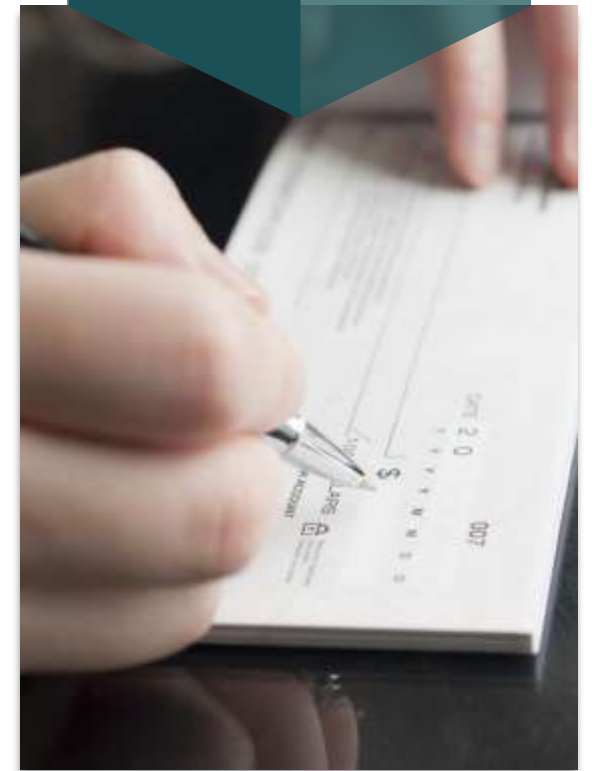
SELL
CURRENT
HOME



APPRAISAL



CLOSING
COSTS



6

5

4

3

2

1



FOR LOANS

*Conventional &
Government Mortgages*

MORTGAGE RATES



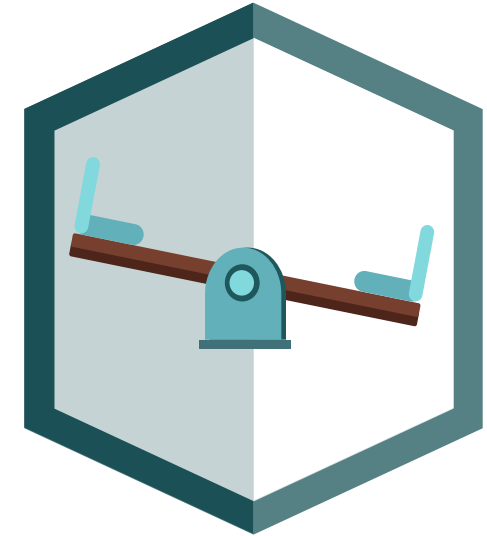
FIXED RATE

Locked interest rate for the life of the loan.



HYBRID/ CONVERTIBLE

Locked interest rate for a period of time, then converts to an adjustable rate for remainder of loan.



ADJUSTABLE RATE

Interest rates fluctuate with market conditions for the life of the loan.



MORTGAGE PAYMENT

ESCROW

Funds are used for homeowner insurance and property tax obligations.

PRIVATE MORTGAGE INSURANCE

Required by conventional and FHA loans. Usually included in to the escrow amount.

COMPARE **LENDERS**

DOWN PAYMENT

DISCOUNT POINT

ANNUAL
PERCENTAGE
RATE (APR)





Do you know the criteria lenders use to determine eligibility for mortgage loans?



○ STABILITY OF INCOME

○ ADEQUACY OF INCOME

○ SUFFICIENT MONEY TO CLOSE

○ CREDITWORTHINESS



www.annualcreditreport.com

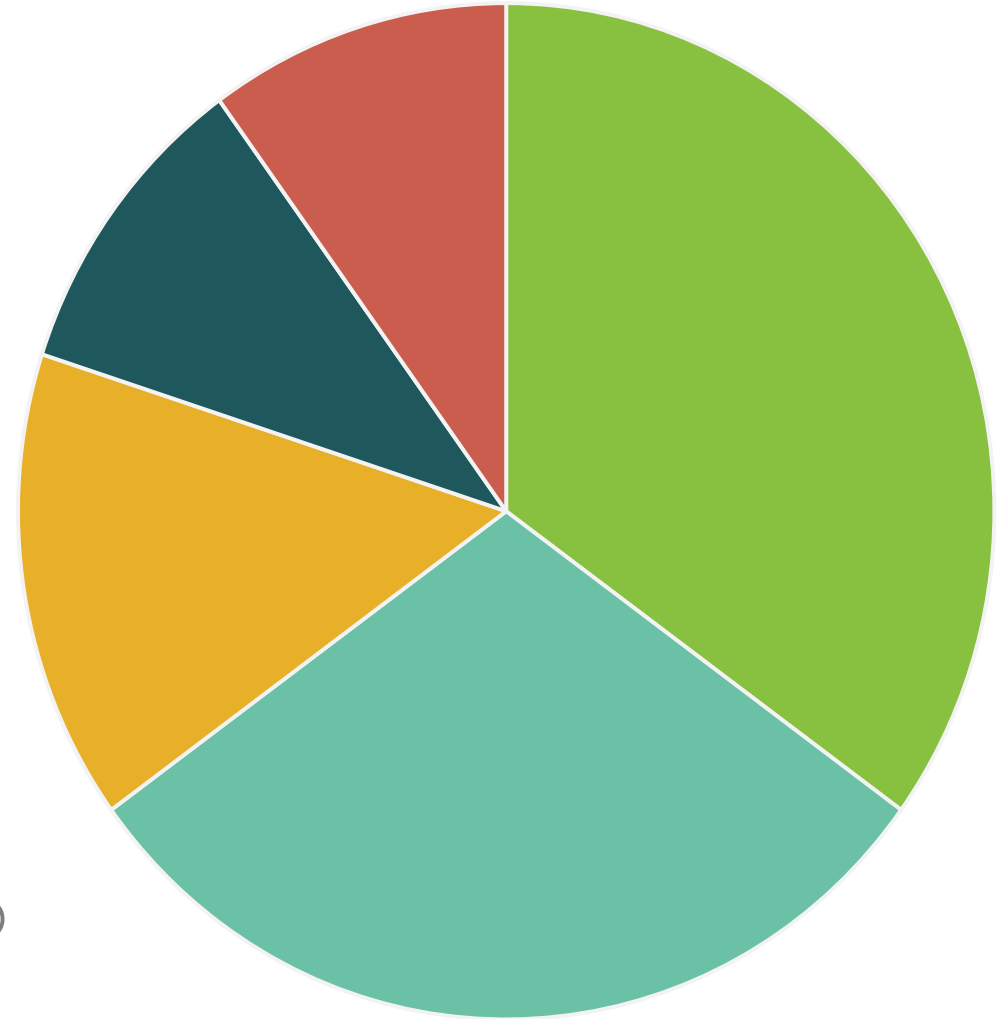


CREDIT REPORT

- Free yearly credit report.
- From all 3 reporting agencies.

CREDIT SCORE

- 35% PAYMENT HISTORY
- 25% CREDIT UTILIZATION
- 15% LENGTH OF CREDIT HISTORY
- 15% NEW CREDIT
- 10% TYPES OF CREDIT USED



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CLOSING TIPS

Review the closing disclosure prior to closing.

Prepare any questions you may have for the attorney's or title company.





CLOSING TIPS

Read all documents before signing them.

Take your time.

CLOSING TIPS

Be courageous! Don't let the closing agent intimidate or rush you.

Don't hesitate to ask questions.



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REMEMBER TO...

Chat with the
previous homeowner.



REMEMBER TO...

Review the home inspection report.





REMEMBER TO...



Save for maintenance.

REMEMBER TO...

Get sufficient
homeowner's insurance.





REMEMBER TO...



Be a good neighbor.



GREENPATH

FINANCIAL WELLNESS

is a nationwide non-profit that provides financial education and tools for people to lead *financially healthy lives*.