



# THE AMERICAN DREAM

## HOMEBUYER EDUCATION



# 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

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**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

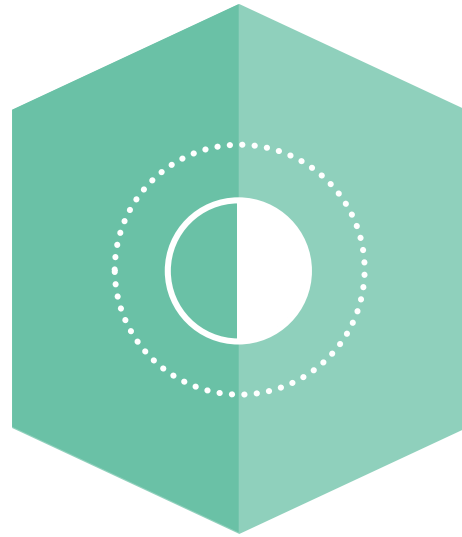
# QUALIFYING RATIOS

## HOUSING RATIO *Front End Ratio*

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

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*Gross monthly income*



## DEBT RATIO *Back End Ratio*

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

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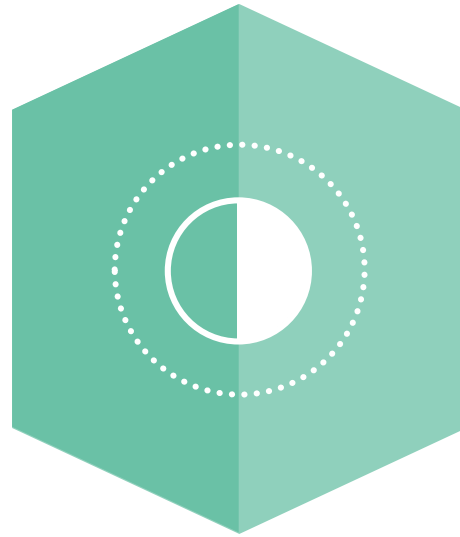
*Gross monthly income*



# 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

**S**PECIFIC

**M**EASURABLE

**A**TTAINABLE

**R**EALISTIC

**T**IMELY

# 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	
Gas	
Electric	
Telephone	
Cell Phone	
Internet / Cable	
Water / Sewage	

Amount Budgeted Monthly	
	\$200.00
	\$115.00
	\$30.00
	\$84.00
	\$30.00
	\$15.00

Track Your Spending				
Week 1	Week 2	Week 3	Week 4	
\$ 40.00	\$ 50.00	\$ 30.00		
		\$ 140.00		
			\$ 30.00	
			\$ 84.00	
			\$ 30.00	
\$ 20.00				

Need to Adjust?	
Actual Total	Over or Under
\$120.00	-\$80.00
\$140.00	\$25.00
\$30.00	\$0.00
\$84.00	\$0.00
\$30.00	\$0.00
\$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](http://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?

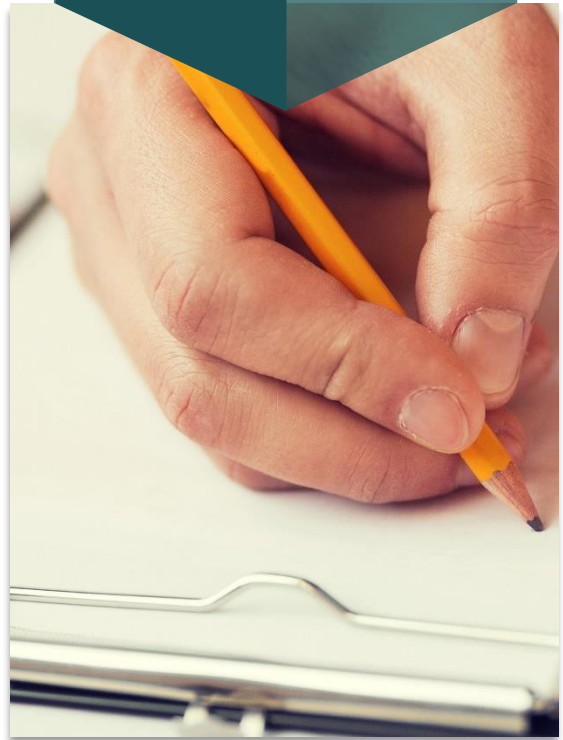
INSPECTION



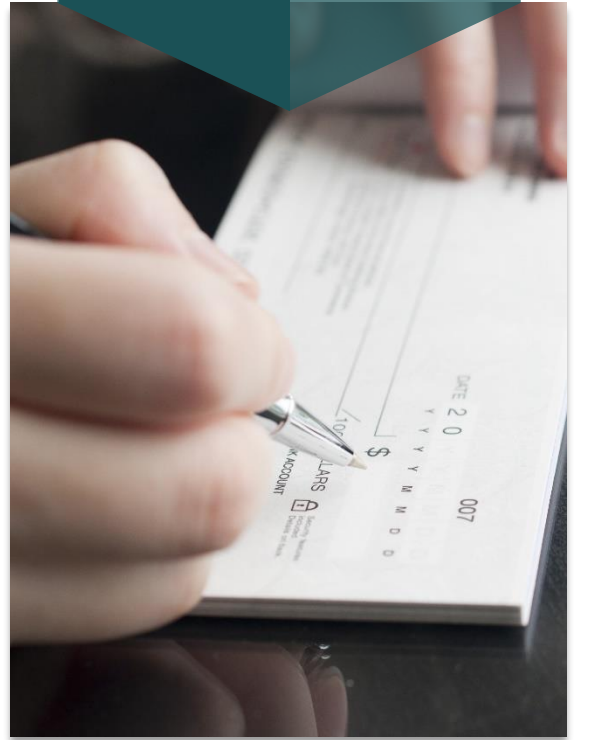
SELL  
CURRENT  
HOME



APPRAISAL



CLOSING  
COSTS



6

5

4

3

2

1



# FOR LOANS

*Conventional &  
Government Mortgages*



# MORTGAGE RATES



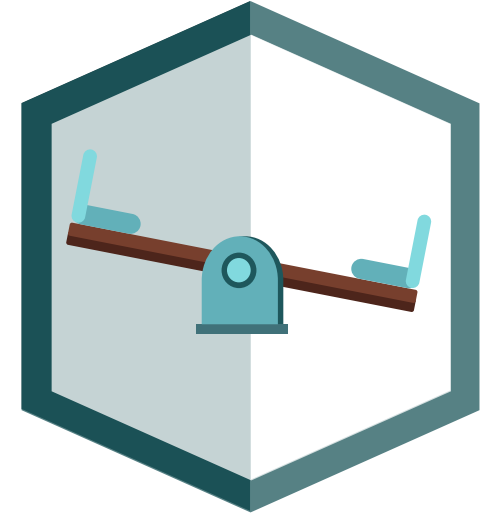
## FIXED RATE

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)

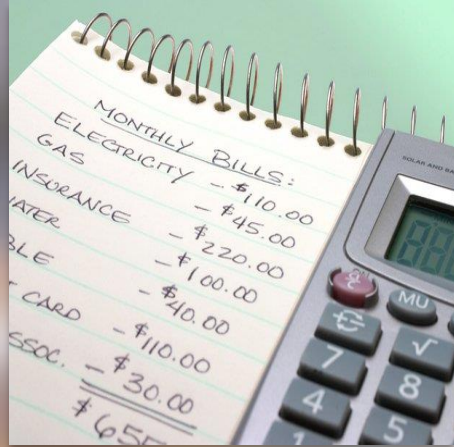




Do you know the criteria lenders use to determine eligibility for mortgage loans?







STABILITY OF  
INCOME

ADEQUACY OF  
INCOME

SUFFICIENT  
MONEY TO CLOSE

CREDITWORTHINESS



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



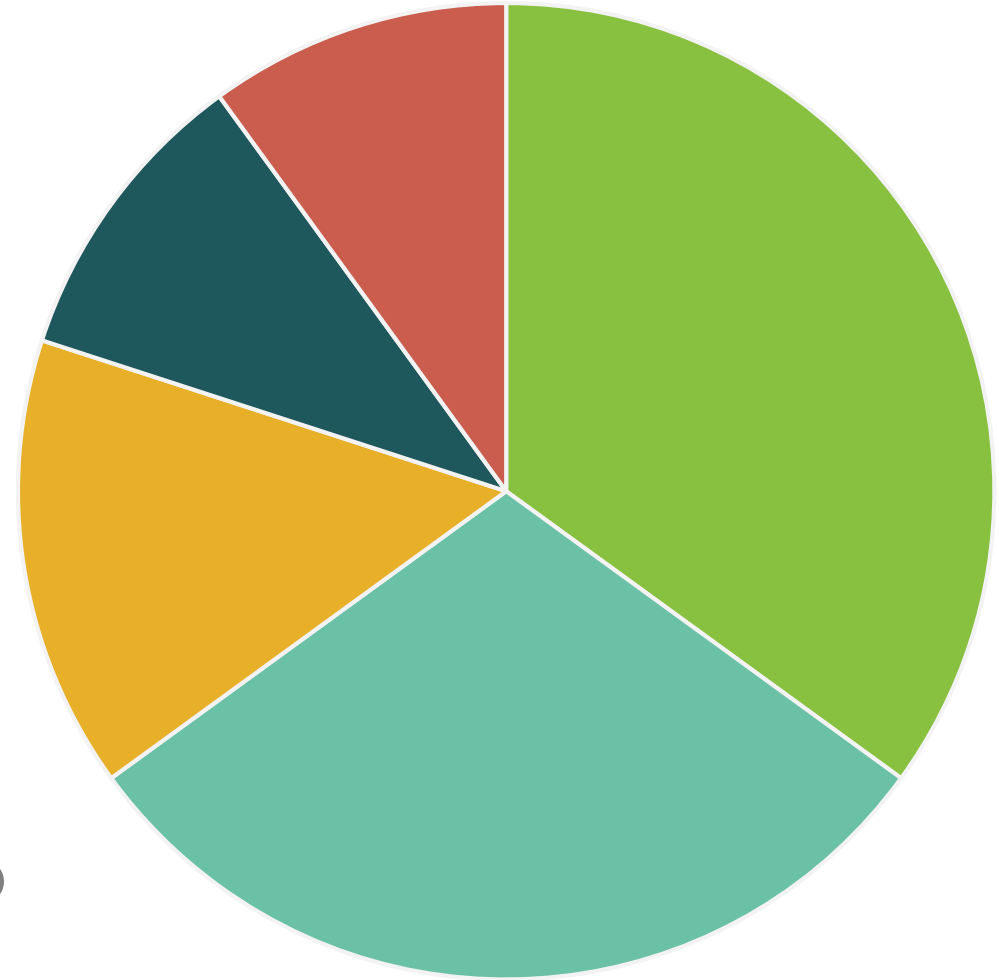
## CREDIT REPORT

- 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*.