

Considering Home Ownership



BN*Wise*

Workshop Goals

In this workshop, you will learn...



1. What it really costs to own a home, and the responsibilities and unexpected costs that come with it



2. How home loans work and how repayment happens



3. How to check if you're financially ready to buy a home

True or False?

Which would you say about the following when it comes to homeownership?



1. A home can increase in value over time.



2. You need to make regular payments when you own a home.



3. You have to pay taxes on your home.



4. You can decorate or renovate your home however you want.

Home Ownership: **A Closer Look**



1. Your home can increase in value over time.

- Your home is an asset. It may increase in value over time.
- It could also lose value depending on the market.



2. You need to make regular payments when you own a home.

- You'll need to save for a down payment and pay other costs too.
- Your monthly payments begin after a down payment and other costs associated with purchasing a home (closing costs, moving fees, etc.)
- Each payment brings you closer to full ownership.

Home Ownership: A Closer Look



3. You have to pay taxes on your home.

- You'll pay property taxes.
- You might be able to get a tax break.
- These taxes are required and must be paid regularly.



2. You can decorate or renovate your home however you want.

- You can make it your own.
- Paint, renovate, personalize — it's your space.
- You also pay for all repairs and maintenance.

Key Words to Know

Income



The money you earn or receive from wages, Social Security, or investments

Income history



Proof of your current and past jobs and earnings

Debt-to-income ratio (DTI)



How much of your income goes toward paying debts

Credit score



A three-digit number that shows how likely you are to repay a loan

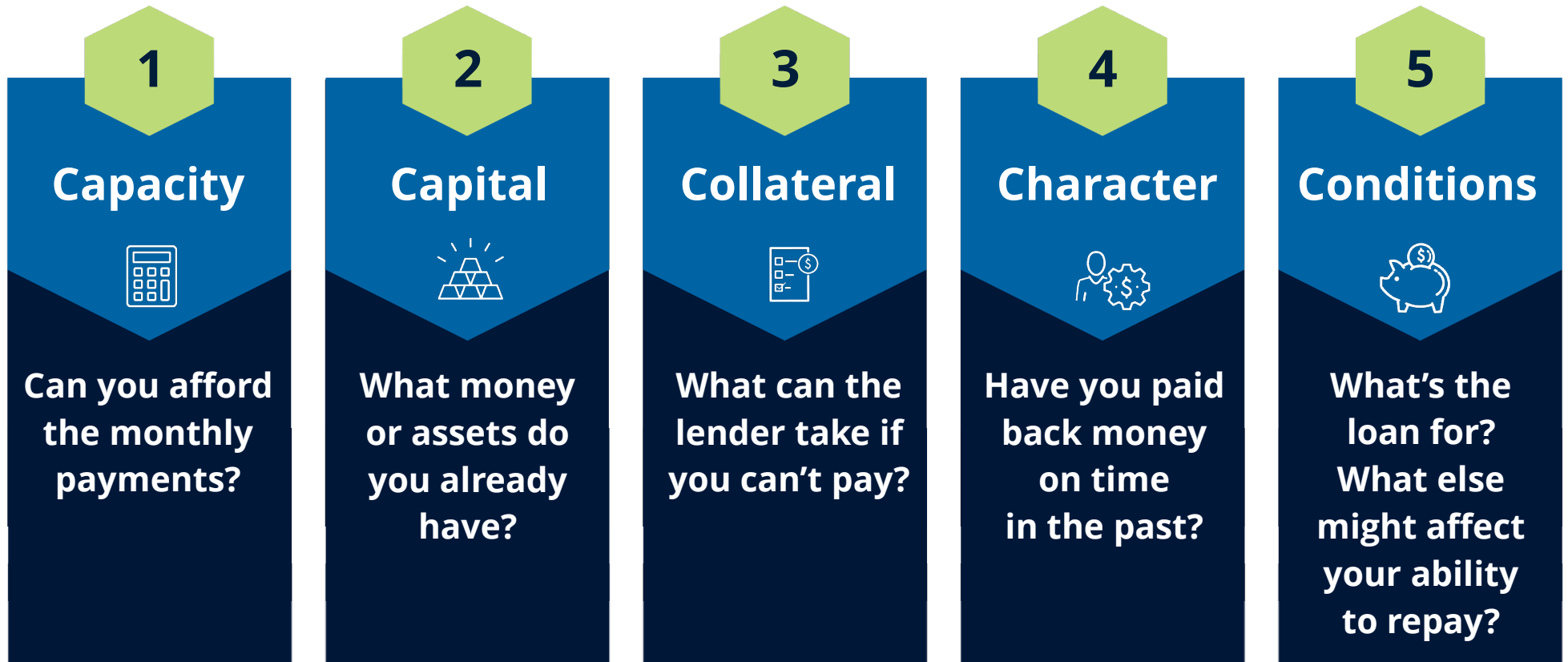
Down payment



The amount of money you pay up front when buying a home that shows lenders your purchase commitment

The 5 Cs of Credit

How Lenders Decide



Budgeting: **Christina's Spending Plan**

Christina is a single mom with two jobs.
She made a simple list to see where her money goes:

Needs (must pay):

- Rent
- Credit Cards
- Car Insurance,
- Food
- Transportation, etc.

Wants (nice to have):

- Fast Food
- Movies
- Cable
- Phone Extras



Tip: Try making your own list like Christina's to see where you could save!

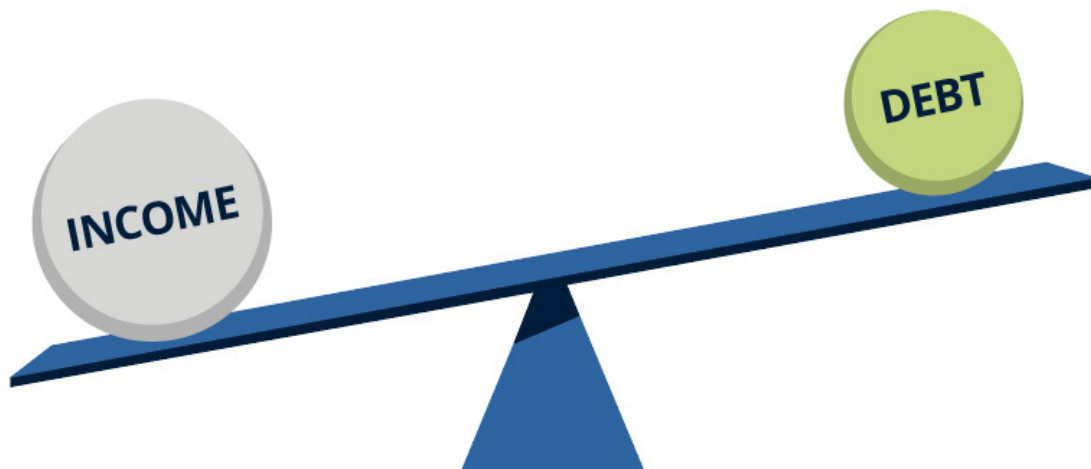
Budgeting: Christina's Spending Plan

NEEDS		WANTS	
Rent Payment	\$300	Fast Food	\$20
Credit Card Payment	\$1,000	Movies	\$20
Auto Insurance	\$100	Cable TV	\$120
Other	\$30	Data Plan for Cell Phone	\$200
Household Expenses	\$35		
Student Loan	\$0		
Court-ordered Payment (Alimony, Child Support, etc.)	\$0		
Food/Groceries	\$150		
Transportation	\$100		
Clothing	\$40		
Total Expenses	\$1,755	Total Expenses	\$360

What's Your Debt-to-Income Ratio?

When you buy a home, you'll need to plan for:

Marta earns \$4,000 a month. Her monthly payments are:



- Student loans: \$300
- Car: \$400
- Credit cards: \$200
- Mortgage: \$800

Total: \$1,700

DTI = Monthly debt ÷ Monthly income

$$\text{\$1,700} \div \text{\$4,000} = 42.5\%$$

Most lenders prefer this number to be below 43%.

What's a Credit Score?

A credit score is a number (usually 300–850) that shows how good you are at repaying loans.
Higher = Better



What affects it?

- Do you pay bills on time?
- How much do you owe?
- How long you've had credit
- What kinds of credit you use
- If you've applied for new credit recently

You can check your score through credit bureaus like Equifax, Experian, or TransUnion.

Home Buying Costs

When you buy a home, you'll need to plan for:

A hand is shown counting a stack of gold coins. The background is a blurred office setting with a person wearing glasses. Overlaid on the image are several semi-transparent icons: a large house outline, several smaller house outlines, and several percentage symbols (%).

**A down
payment**

**Closing
costs**

**Other fees
and surprise
costs**

Down Payment: **Why it Matters**

**A down payment is money you pay up front toward your home.
It's usually 3% to 20% of the home's price.**



EXAMPLE:

- **Marta wants a home that costs \$80,000**
- **If she pays \$0 down, her interest is higher—she pays \$3,900 in interest in Year 1**
- **If she saves \$20,000 down, her interest is lower—only \$2,700 in interest that year**

The more you save up front, the less you may pay later.

What are Closing Costs?

These are extra costs due at the end of the home-buying process.

They might include:

- Appraisal and inspection fees
- Title insurance
- Government taxes
- Prepaid items (taxes, interest, insurance)

Total = About 2%–5% of the home's price



Private Mortgage Insurance (PMI)



If you don't have 20% for a down payment, you might need to pay PMI.

This insurance protects the lender in case you can't make payments.

PMI ends when you've paid down enough of your loan. In most cases, once you own about one-fifth (20%) of your home, you no longer have to pay PMI.

Types of Loans

▶ **Conventional Loans:**

For buyers with steady income, good credit, and some savings

- *Offered by banks, credit unions, mortgage lenders*

▶ **Government-backed Loans:**

Help for buyers with lower income or credit

- *Offered through FHA, VA (for veterans), or USDA (for rural areas)*

Ask a lender or housing counselor which loan might be right for you.

Helpful Resources



Truth in Lending Act
Gives you full loan info



Consumer Financial Protection Bureau
consumerfinance.gov



HUD.gov
Fair housing rights, buying guides, and programs



USA.gov
Tips for finding a home: usa.gov/finding-home

Before you buy



Check your credit score and debt



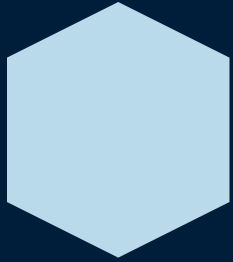
Understand all the homeownership costs



Make sure it's the right time for you



Buying a home is a big step.
Planning ahead makes all the difference!



Thank you.

