FINANCIAL READINESS FOR HOMEOWNERSHIP — PART 2

Prepare yourself for homebuying through Money Management and Healthy Credit Behaviors



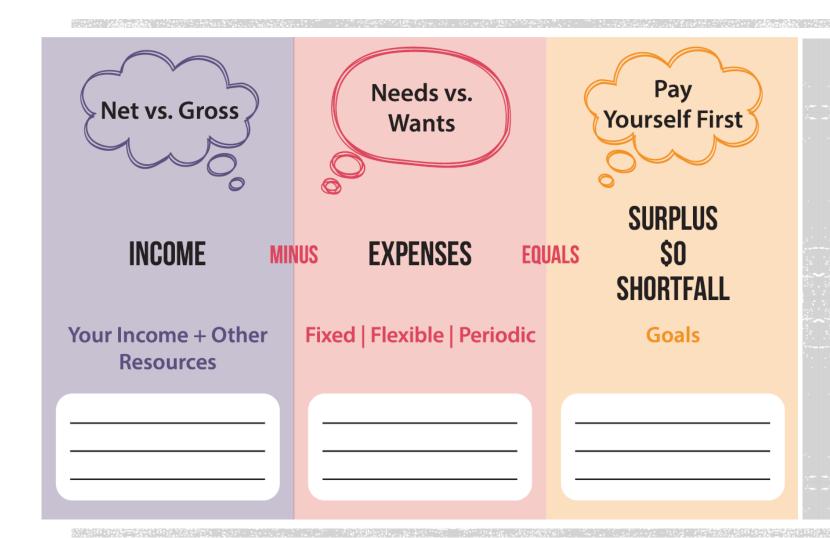






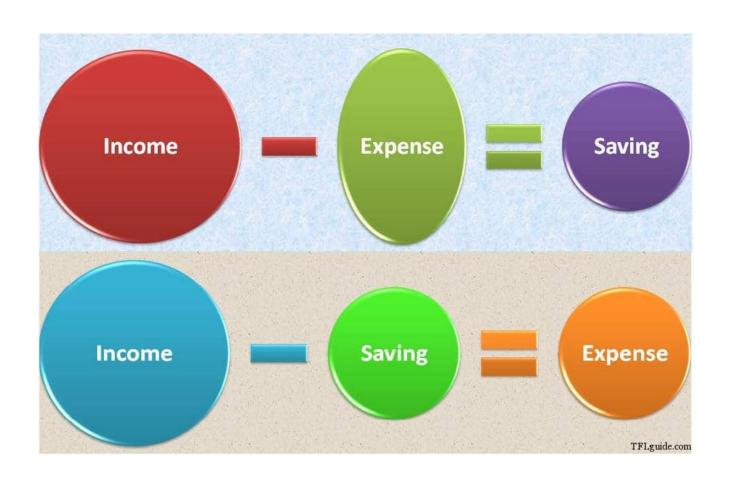
HOW DOES MANAGING OUR MONEY HELP US IN HOMEBUYING?





LET'S BREAK IT DOWN





PAY THE BILLS FIRST

PAY YOURSELF FIRST



LET'S COMPARE: RENTING VS OWNING

Maggie's journey to homeownership...

Compare her renting budget to anticipated home purchase budget – What are some things she might need to make changes to?

Total Income	\$4,800	\$4,800	\$4,800
		ver en la	
		Renter	Homeowner
Mortgage (PITIMI)		XXX	\$1,800
Rent		\$1,300	XXX
Homeowners Assoc. Dues	ci i i videja maja	XXX	\$75
Maintenance Savings		XXX	\$145
Utilities (gas, electric, water, sewer)	\$210) (average)	\$250 (average)
ar	l l r	Paid off	Paid off
as	e 150 544 7	\$225	\$225
r Insurance		\$90	\$75
Coffee Shop (daily stop)		\$100	\$100
ning Services		\$40	\$40
's Cell Phone	:: t-1 × 1 ::	\$65	\$65
ell Phone		\$40	\$40
V Phone		\$40	\$40
(pscale Salon (all)		\$150	\$150
Membership		\$45	\$45
etries		\$500	\$500
	on the exploition may me	\$60	\$60
		\$100	\$100
	erio (1995) i 25 zi	\$50	\$50
		\$50	\$50
		\$120	\$120
		\$100	\$100
		\$50	\$50
	il parties	\$250	\$250

	Renter	Homeowner	Homeowner (changes)
Mortgage (PITIMI)	XXX	\$1,400	
Rent	\$1,300	XXX	XXX
Homeowners Assoc. Dues	XXX	\$200	
Maintenance Savings	XXX	\$145	
*Utilities (gas, electric, water, sewer)	\$175 (average)	\$250 (average)	
Internet	\$65	\$65	
Car	Paid off	Paid off	
*Gas	\$225	\$125	
*Car Insurance	\$90	\$75	
Local Coffee Shop (daily stop)	\$100	\$100	
Streaming Services	\$40	\$40	
Maggie's Cell Phone	\$65	\$65	
Brynn's Cell Phone	\$40	\$40	
Bessie's Cell Phone	\$40	\$40	
Hair Cuts at Upscale Salon (all)	\$150	\$150	
Maggie's Gym Membership	\$45	\$45	
Groceries and Toiletries	\$550	\$550	
Entertainment	\$60	\$60	
Brynn's Soccer	\$100	\$100	
Bessie's Dance Classes	\$50	\$50	
Brynn's Painting Class	\$50	\$50	
Bessie's Yoga Classes	\$120	\$120	
Clothing (girls)	\$100	\$100	
Clothing (Maggie)	\$50	\$50	
After School Care	\$250	\$250	
Dining Out	\$150	\$150	
Credit Card (minimum payment)	\$60	\$60	
Total Expenses	\$3,875	\$4,280	
Surplus/Shortfall	+\$225	-\$180	

Maggie's Income:

Salary:	\$3500
Child Support	\$ 600

Total: \$4100

Anticipated changes:

- ➤ Mortgage: \$1,400
- ➤ Homeowner Association Dues: \$200
- Maintenance Savings: \$145 (Maggie's loan is approximately \$175,000, this is 1% of that amount)
- ➤ Utilities: \$250 More energy efficient though also much larger space
- Gas: \$125 driving less due to proximity to work/takes bus also
- Car Insurance: \$75 less driving and bundle with homeowners



Earnest money

• 1-2% of purchase price

Down Payment

• 3-3.5% or less if using DPA

Closing costs

• 3-4% of purchase price

Escrows

• 1-6 months depends on lender

Reserves

• Amount required to be in savings, varies

And....

Cost of Moving

- Getting ready to move?
- Actual moving costs?
- · Once moved in?

Transfer/Set up Utilities

Change Locks/Recode Garage

Change Address

Safety Check

- Really getting to know your home
- Home inspection is great source of information!





Mortgage payment

- Payments AND Lender can change!
- Property Taxes
- Homeowners Insurance

HOA fees

• These will often go _____

Cost of Utilities

Maintenance and Repairs

- Financially how much?
- Who will do the work?
- Plan this out before there is a problem!

Home repair/rehab loans

Weatherization

Energy Savings Tips

Energy Star

How long do things last?

https://energysmartyes.com/

HOME REPAIRS AND MAINTENANCE





Home equity loans

Refinancing

Other new credit offers

Scams

- wire scams
- Send \$ for documents

Safety

- Smoke/Carbon Monoxide detectors
- Fire Extinguishers
- · Circuit breaker/Water shut off

Security

- · Door and window locks
- Home security system/cameras/motion lights

Emergencies

- List of phone numbers
- Family evacuation plan
- Sign up for emergency alerts www.bocoalert.org

Preventative Maintenance

- Your responsibility
- HOA Responsibility





LOOKING AHEAD -AVOIDING FORECLOSURE

- Contact lender immediately when cannot make payments
- Contact housing counselor
 - https://www.hud.gov/counseling
- Alternatives to foreclosure
- Foreclosure timeline



CREDIT AND YOUR
NEW HOME

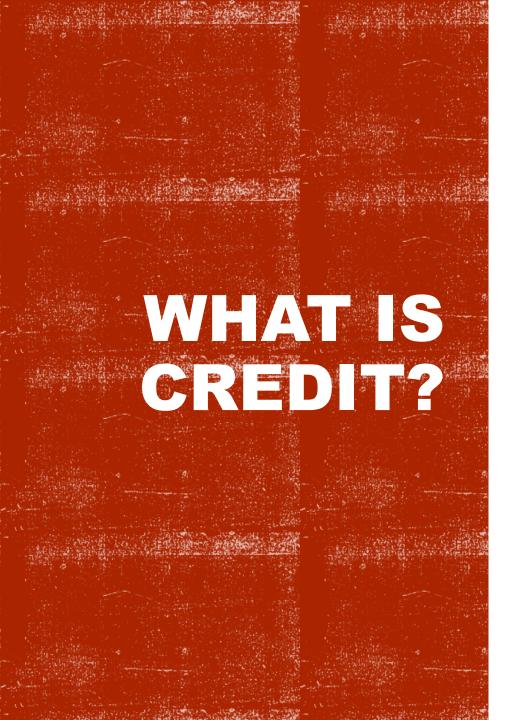




WHY CONSIDER YOUR CREDIT?

- Qualify for better loan terms
 - •Approval
 - •Interest rate
 - •Saves time
- Obtain insurance at a lower rate





- Buy now, pay later!
- Recorded in the form of a report
- Calculated into a three-digit number
- Made available to potential creditors
- Determines your ability to borrow

CREDIT SCORES VS CREDIT REPORTS

Credit Score

- Active open accounts
- FICO vs Vantage
- Numerical interpretation of data
- Snapshot of your credit journey at a given point in time

Credit Report

- Detailed record of credit history
- Includes: Identifying information, credit accounts, public records, credit inquiries
- Information is current and historical, shows bigger picture
- Detailed story of your credit journey



WHERE TO GET CREDIT SCORES

Experian

https://www.experian.com/

MyFICO

• https://www.myfico.com/credit-geducation/credit-scores/free-credit-scores

Credit Karma

• https://www.creditkarma.com/

And where else?



www.AnnualCreditReport.com

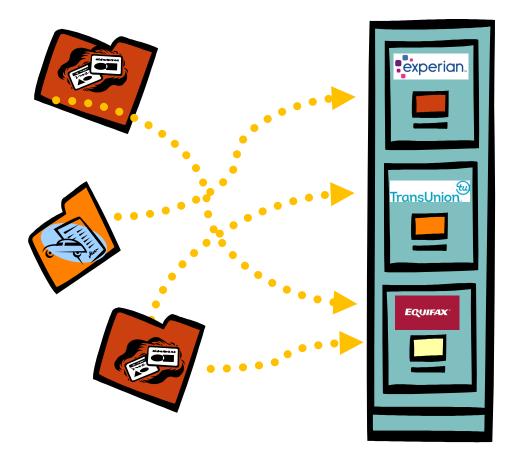
- FREE Credit Report no strings attached
- This will NOT contain your Credit Score
- Full and complete detailed information about your credit history



HOW DOES CREDIT REPORTING WORK?

Who is putting information in?

Creditors and Collectors



Who is looking?

- YOU!
- Lenders!
- Landlords
- Insurance company
- Utility company
- Employer
- Banks/credit unions
- others

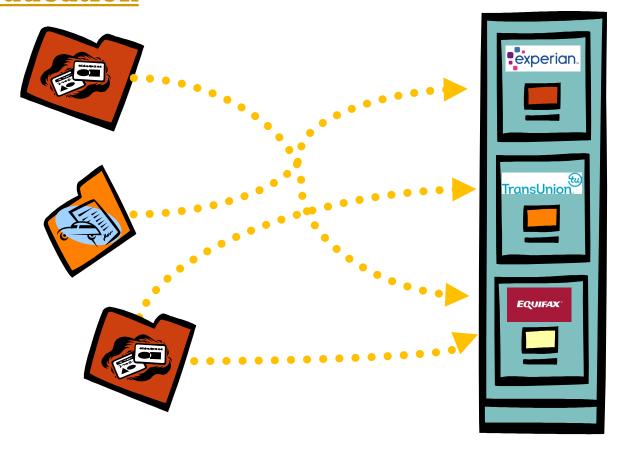


HOW DOES CREDIT SCORING WORK?



FICO 300-850

https://www.myfico.com/crediteducation



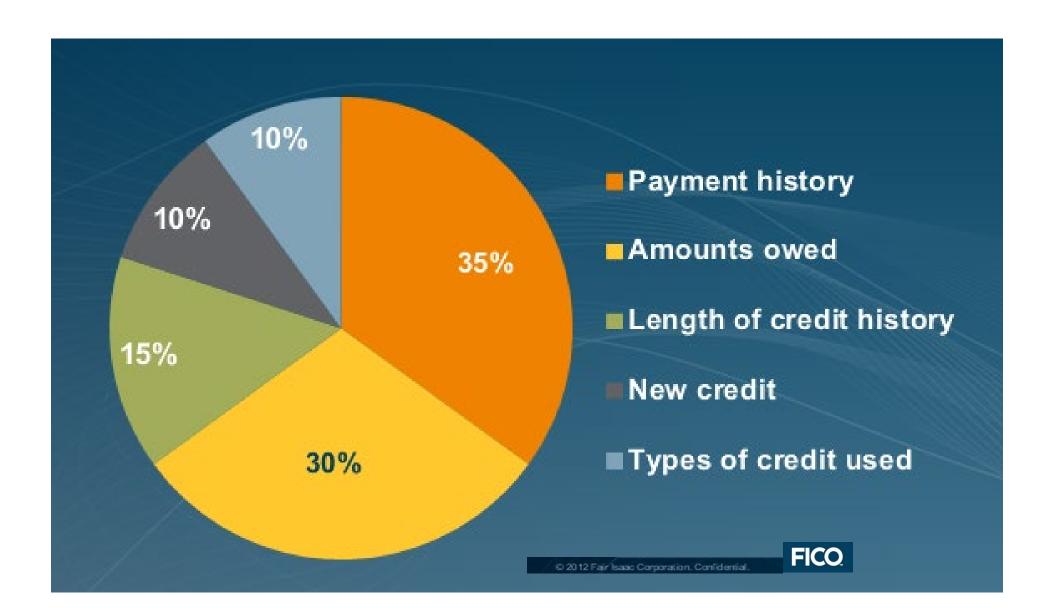
Vantage 300-850

https://vantagescore.com/

- YOU-Consumer Report
- Lenders ***
 - Mortgage
 - Auto
 - Credit Card
- Landlords
- Insurance company
- Utility company***
- Employer
- Banks/credit unions
- others



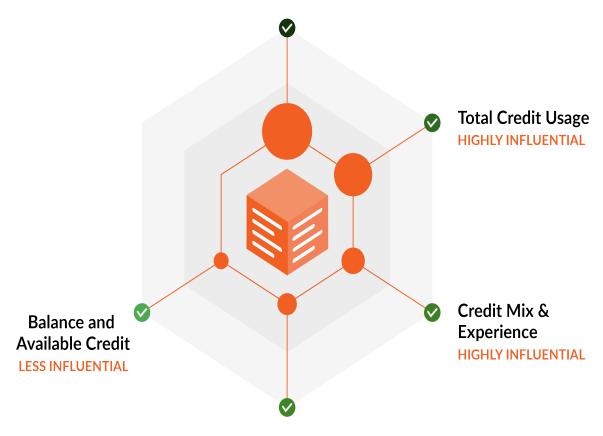
THE COMPONENTS OF A FICO SCORE - 300-850





Payment History

EXTREMELY INFLUENTIAL



New Accounts Opened MODERATELY INFLUENTIAL

THE COMPONENTS OF A VANTAGE SCORE - 300-850

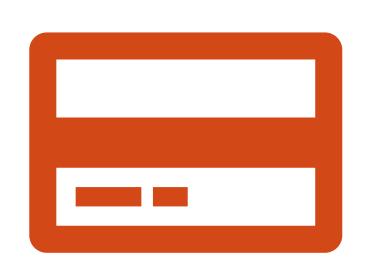
Payment History - on time payments

Total Credit Usage – use 30% or less of total credit available

Credit Mix and Experience – varied credit mix shows credit responsibility

New Accounts Opened – space out new credit applications to best protect and grow your credit

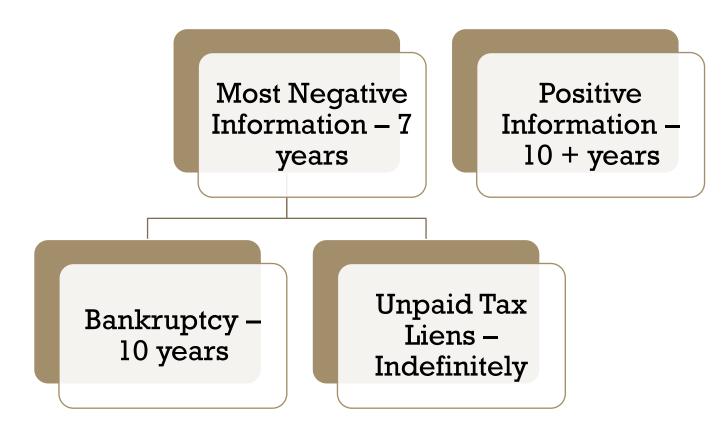
Balance and Available Credit – paying down balances and having a high amount of credit available demonstrates financial flexibility



WHAT DOES A CREDIT REPORT INCLUDE?

- Identifying information
- Credit information
 - Positive/Negative
- Public record information
- Inquiries

HOW LONG DOES INFORMATION REMAIN?



Inquiries – 1 Year





Instructions with your consumer credit report – online or via letter

Dispute through the CRA and creditor

Approximate 30-45 day response time

May need to work directly with creditor

FTC.GOV and ConsumerFinance.gov

Consumer Statement on Credit Report

EXCEPTIONA: 800-850

VERY GOOD 740-799

> GOOD 670-739

> **FAIR** 580-669

POOR 300-579

WHAT'S A GOOD CREDIT SCORE?

LOAN AMOUNT	RATE	MONTHLY PRINCIPAL AND INTEREST PAYMENT	TOTAL INTEREST PAID
\$200,000	6.5%	\$1264	\$255,089
\$200,000	7.5%	\$1398	\$303,434





CLEANING UP OUR CREDIT

- Identify what was/is causing the problem
- Create a realistic spending plan
- Keep current accounts current!
- Communicate with creditors
- Get help if needed





"Go ahead and pay, then we'll provide the service..."

"Let's dispute all your negative information!"

"We PROMISE you this, and this, and THIS!"

"We can help you get a new identity!"



BUILDING CREDIT

- Secured credit
- Apply for a loan with a co-signer/Authorized user
- Non-traditional credit
- Experian Boost/FICO 8



Prevents Consumer Credit Reporting Companies from providing your credit file information for Firm Offers

Limits opportunities for new credit

Reduces risk of identity theft

Saves trees (we are in Boulder County!)

www.optoutprescreen.com

CAUTION: IDENTITY THEFT

Immediate Steps

- Place an Initial Fraud Alert
- Order Your Credit Reports
- Create an Identity Theft Report

Monitor Your Progress

Resolving identity theft takes phone calls and letters. Create a system to organize your papers and calls, and to track deadlines.

https://www.identitytheft.gov/

https://www.stopfraudcolorado.gov/

https://bouldercounty.gov/district-attorney/community-protection/



CREDIT FREEZE VS FRAUD ALERT

Fraud Alert

- Alert one of the credit bureaus
- This will transfer to all three
- Initial (1yr) and Extended (7yrs)

Credit Freeze

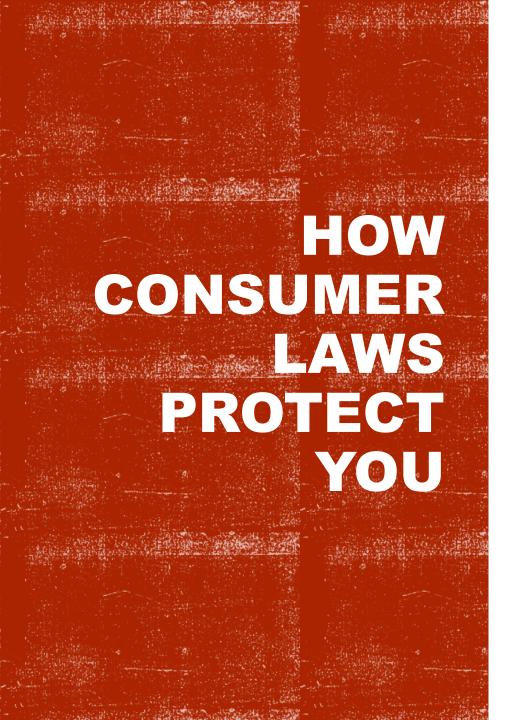
- Set up individually on each
- Remove when you need to take credit actions for yourself
- Employment, Tenant screening and insurance can still happen



BEST STEPS FOR BORROWERS TO PREPARE BEFORE WORKING WITH YOUR LENDER

- Review your personal consumer credit report www.annualcreditreport.com
- Initiate any disputes for inaccuracy/incomplete information
- Pay down credit card balances to below 30% (best 20-25%)
- Avoid closing accounts or applying for new credit
- Temporarily lift any Lock/Freeze from each credit bureau
- Complete the Opt-Out process www.optoutprescreen.com





- Prevent discrimination by companies that give credit
- Require credit companies to give reasons for denials
- Require credit companies to answer consumers' questions



FAIR HOUSING ACT

Prevents discrimination in housing based on:

Race

Color

National Origin

Religion

Sex (including gender identity and sexual orientation)

Disability

Familial Status (persons with children under 18, pregnant women, etc.)



EQUAL CREDIT OPPORTUNITY ACT (ECOA)

- Prohibits discrimination in any aspect of a credit transaction.
- The ECOA prohibits discrimination based on
 - Race or color,
 - Religion,
 - National origin,
 - Sex,
 - Marital status,
 - Age (provided the applicant has the capacity to contract),
 - The applicant's receipt of income derived from any public assistance program, or
 - The applicant's exercise, in good faith, of any right under the Consumer Credit Protection Act.
- Requires disclosures of reason for denial within 30 days

TRUTH IN LENDING ACT

Requires lenders to provide complete and accurate info about credit costs and terms

Requires companies to send monthly billing statements showing balance, billing cycle, rate, payments, and other info



Requires that consumers receive disclosures at various times in the transaction and out laws kickbacks that increase the cost of settlement services.

RESPA is a HUD consumer protections statute designed to help homebuyers be better shoppers when in the process of buying a home

REAL ESTATE SETTLEMENT PROCEDURES ACT

