



MODULE 13: Buying a Home

PARTICIPANT GUIDE



MONEY SMART for Adults

SEPTEMBER 2018

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Contents

Welcome	2
Module Purpose	2
Section 1: Getting Ready to Own Your Home	3
Reasons for Buying a Home	3
Steps to Buying a Home	4
<i>Try It: Getting Ready to Buy</i>	5
<i>Apply It: Am I Ready to Buy?</i>	7
How Much Can You Afford?	8
<i>Apply It: What Can I Afford?</i>	10
Debt-to-Income Ratio	15
<i>Try It: Calculating a Debt-to-Income Ratio</i>	16
<i>Apply It: My Debt-to-Income Ratio</i>	18
Section 2: Financing a Home Purchase	19
Types of Loans	19
Learn About Mortgages	20
Different Kinds of Mortgages	21
<i>Apply It: My Mortgage Options</i>	22
How Mortgages Work	23
<i>Try It: Reading an Amortization Schedule and Calculating Equity</i>	23
Getting Pre-Qualified or Pre-Approved	26
Shop Around for a Mortgage	26
<i>Apply It: My Worksheet to Compare Loan Estimates</i>	26
Section 3: Getting Help and Buying Your Home	29
Putting Together Your Team and Finding a Home	29
<i>Apply It: My Home Buying Team</i>	30
Making an Offer	31
Closing on a Home	33
Getting Help When You're in Trouble	33
<i>Apply It: My Resources for Getting Help Paying My Mortgage</i>	34
Module Closing	36
Remember the Key Takeaways	36
Take Action	36
Where to Get More Information or Help	37
Pre-Training Survey	39
Post-Training Survey	41

Welcome

Welcome to the FDIC's Money Smart for Adults!

This is the Participant Guide for **Module 13: Buying a Home**. Use it during and after training. Mark it up, write in it, take notes—it is yours to keep.

Module Purpose

This module covers how to get ready to own a home, finance the purchase, and move forward with buying a home.

This module also:

- Identifies the steps in the home buying process
- Explains how to know if you are ready to buy a home
- Identifies ways to estimate how much you can afford for housing
- Describes home financing options and key costs
- Explains how to get prequalified or preapproved for a mortgage
- Discusses how to compare loan estimates
- Explains the role of professionals who can help you become a homeowner
- Describes the processes of making an offer, negotiating with the seller, and closing the purchase
- Identifies where to get help if you're having trouble making mortgage payments

Section 1: Getting Ready to Own Your Home

We will discuss how to get ready to buy a home and how to figure out what you can afford.



Key Takeaway



Buying a home is a process. Start by making sure you're ready to buy and figure out what you can afford.

Reasons for Buying a Home

What are some reasons people want to buy their own home?

Equity

Equity generally equals the market value of a home minus what you owe on the home.

$$\text{Equity} = \text{Home's Market Value} - \text{What You Still Owe on the Mortgage}$$

Market Value

One reason some people want to buy a home is to build wealth. Building wealth in a home is based on market value and your equity.

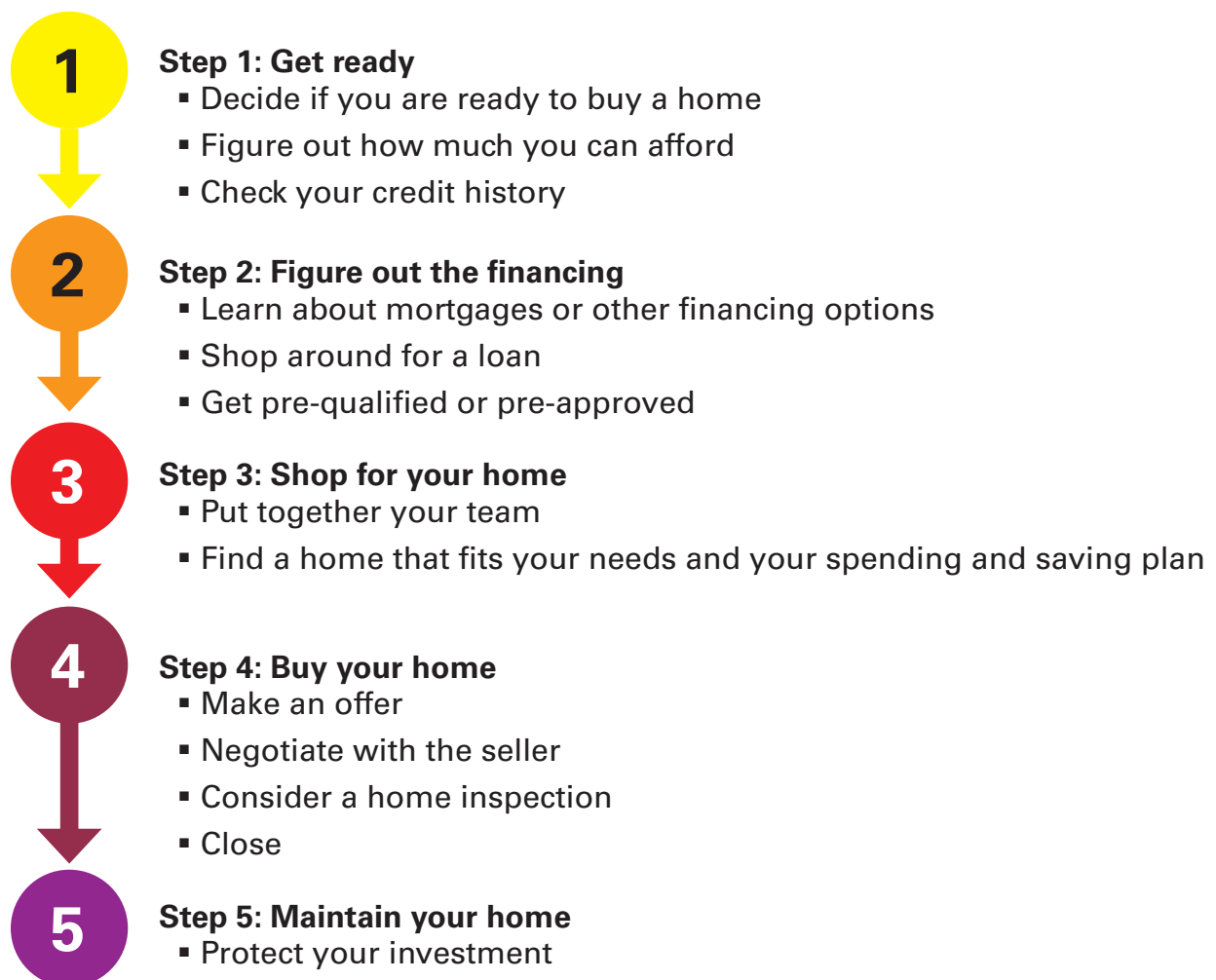
What are some factors that affect the market value of a home?

The market value of a home is not guaranteed to increase. It can increase, stay the same, or decrease.

While buying a home is an investment, for most people it's not an investment that will make them wealthy.

Steps to Buying a Home

Buying a home is a big decision with key steps.





Try It: Getting Ready to Buy

Read the scenario and then answer the questions.

Scenario: Is Hadyn Ready to Buy?

Hadyn has decided it's time to buy a place for his family. He's a single dad with two young children. He wants them to grow up in a house with a yard. He has a good job as the manager of a mid-scale restaurant. He makes nearly \$45,000 a year. Most years, he also gets a bonus of \$3,500 to \$6,000.

Hadyn has been at his current job for four years. He has a credit history, but he is unsure whether he has good credit or credit that needs some work. He's pretty sure he's paid all his bills on time for the last five years. He's had an account at his local bank since he was 16 years old.

He believes he will be able to afford the costs of homeownership, and he enjoys doing home maintenance. He has lived in the community his whole life.

He has about \$2,000 saved for a down payment. He has no emergency savings.



Questions	Yes	No	I don't know
Does Hadyn have reliable sources of income?			
Has he received this income on a regular basis for at least the last two or three years?			
Does he have a credit history?			
Does he have a good record of paying bills on time?			
Does he think he will be able to make this mortgage payment every month in addition to the other costs of owning a home: taxes, insurance, maintenance, and unexpected expenses?			
Can he cover all of the costs of housing and his other debts, bills, and living expenses?			
Does he anticipate staying in the community for at least the next three to five years?			
Does he have money saved for a down payment?			

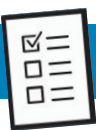
Try It: Getting Ready to Buy *continued*

Questions	Yes	No	I don't know
Does he have money saved for closing costs?			
Does he have some money set aside for emergencies or unexpected expenses related to housing costs?			

Based on your answers, do you think Hadyn is ready to buy?

☐ Yes ☐ No ☐ Maybe

Explain your answer.



Apply It: Am I Ready to Buy?

Part 1:

Answer each question by checking Yes, No, or I don't know.

Question	Yes	No	I don't know
Do I know why I want to buy a house? Note: The value of your home can increase over time, decrease over time, or stay the same. It probably won't make you wealthy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do I have reliable sources of income?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have I received this income on a regular basis for at least the last two or three years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do I have a credit history?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have I reviewed my credit reports recently?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do I have a good record of paying my bills on time?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have I been paying my rent regularly and on time?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Have I been paying my utilities regularly and on time?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Could I comfortably afford to make a monthly mortgage payment that would likely be at least as much as my current rent payment?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Will I be able to make my mortgage payment every month in addition to the other costs of owning a home? Note: That includes possibly higher utility payments, taxes, insurance, routine maintenance, and repairs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Am I planning to stay in the house I plan to buy for at least the next few years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do I have money saved for a down payment? Note: The amount of money you need for a down payment depends on each loan program. See <i>Where to Get More Information or Help</i> near the end of this Participant Guide.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do I have money saved for closing costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do I have money saved for emergencies, unexpected expenses, home maintenance, and home repairs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TOTALS Add up the number of "Yes," "No," and "I don't know" answers			

Apply It: Am I Ready to Buy? *continued***Part 2:**

Review the TOTALS for your answers.

The more “Yes” answers you have, the more ready you may be to buy a home. If you have “No” or “I don’t know” answers, use the information from the training to turn those into “Yes” answers. Or maybe turn them into goals if they are going to take some time to address.

Based on my answers, am I ready to buy?

☐ Yes ☐ No ☐ Maybe

If not, what are some things I can work on to get ready?

How Much Can You Afford?

Only you can decide. However, you can use advice or guidelines to help you decide.

Spending and Saving Plan Method

One way to figure out what is affordable for you is to start with your spending and saving plan, which some people call a budget.

Take your total net monthly income and subtract your total non-housing monthly expenses.

How much money is left over? That’s what you can use for mortgage payments and the other costs related to housing.

$$\begin{array}{ccccc} \text{Total Net} & & \text{Total Monthly} & & \text{Amount Left} \\ \text{Monthly} & - & \text{Non-Housing} & = & \text{for Housing} \\ \text{Income} & & \text{Expenses} & & \text{Costs} \end{array}$$

Monthly Mortgage Payments

A mortgage is a home loan. When you have a mortgage, you will make a payment each month.

There are generally four parts to the payment:

- **Principal**—the amount of money you borrow
- **Interest**—interest you have to pay on the principal
- **Taxes**—real estate taxes
- **Insurance**—homeowner's insurance

Additional Costs of Homeownership

Housing costs do not just include mortgage payments. There are other costs, too. You can take notes from the discussion here.

What are examples of one-time costs?

What are examples of ongoing costs?



Apply It: What Can I Afford?

Use *My Spending and Saving Plan* to estimate what you can afford. Use information from your pay stub and other financial statements, as well as records of bills and expenses.

The spending and saving plan has three sections:

- My Net Income
- My Non-Housing Expenses
- Comparison: What's Left for Housing Costs?

You may receive income and pay expenses by week, quarter, month, or year. For this method, convert your income and expenses to monthly amounts before putting them into your spending and saving plan.

This table can help you convert your income and expenses to monthly amounts.

Frequency: How often you receive the income or pay the expense	Do this first: Then enter into the Plan
Annual (once per year)	Divide by 12
Semi-annual (twice per year)	Divide by 6
Quarterly (four times per year)	Divide by 3
Monthly (once per month)	Use as-is
Bimonthly (twice per month)	Multiply by 2
Biweekly (every two weeks)	Multiply by 26 and divide by 12
Weekly (every week)	Multiply by 52 and divide by 12

Apply It: What Can I Afford? *continued*

My Spending and Saving Plan

My Net Income

Source of Income	Monthly Amount
Net (Take-Home) Pay Job 1	
Net (Take-Home) Pay Job 2	
Net (Take-Home) Pay Job 3	
Net Self-Employment Income	
Public Benefit 1:	
Public Benefit 2:	
Public Benefit 3:	
Public Benefit 4:	
Interest	
Dividends	
Child Support	
Alimony	
Gifts	
Other:	
Other:	
Other:	
My Total Net Income (add up rows above)	

Apply It: What Can I Afford? *continued***My Non-Housing Expenses**

Item	Monthly Amount
My Saving	
Saving Toward: Emergency Fund	
Saving Toward:	
Saving Toward:	
My Sharing	
Sharing with Family and Friends	
Charitable Contributions	
Other:	
Other:	
My Spending	
Telephone (Cell and Land-Line)	
Internet	
Cable / Satellite / TV Viewing Services	
Car/Truck Payment	
Car/Truck Insurance	
Car/Truck Maintenance and Repair	
Car/Truck Fuel	
Public Transportation	
Health Insurance (portion not covered by employer or taken out of gross pay)	
Other Healthcare Expenses	

Apply It: What Can I Afford? *continued***My Non-Housing Expenses *continued***

Item	Monthly Amount
Student Loan Payments	
Credit Card Debt Payments	
Other Debt Payments	
Personal Care Attendant	
Eldercare	
Childcare / Child Support Payments	
Groceries and Household Supplies	
Eating Out or Take-Out	
Service Animal Expenses	
Pet Care	
Personal Expenses	
Entertainment	
Other:	
Other:	
Other:	
Other:	
My Total Non-Housing Expenses (add up rows above)	

Apply It: What Can I Afford? *continued*

Comparison: What's Left for Housing Costs?

Item	Monthly Amount
My Total Net Income (From Last Row of the My Net Income section in the Monthly Amount Column)	
My Total Non-Housing Expenses (From Last Row of the My Non-Housing Expenses section in the Monthly Amount Column)	
What's Left for Housing Costs? (My Total Net Income minus My Total Non-Housing Expenses)	

How much money do I think I can afford for housing costs each month?

Can I decrease expenses or increase income so I have more money for housing costs?

Debt-to-Income Ratio

Your debt-to-income ratio shows how much of your monthly gross income—your income before taxes or other deductions are taken out—goes to covering your monthly debt payments, including your anticipated monthly housing payment.

This is the formula for a debt-to-income ratio:

$$\frac{\text{Total monthly debt payments}}{\text{Total monthly gross income}} = \text{Debt-to-income ratio}$$

A debt-to-income ratio is often written as a percentage. It is generally easier to qualify for a mortgage if you have a low debt-to-income ratio rather than a high debt-to-income ratio.

The higher your debt-to-income ratio, the less money you have to pay for everything else. That's because more of your money is going to cover debt payments.

If your debt-to-income ratio is 40 percent, that means 60 percent of your income is available to cover non-debt expenses. Some lenders prefer a debt-to-income ratio of 36 percent or less. Others may accept a higher ratio.

But debt payments aren't your only expenses.

What other expenses besides debt do you pay each month?



Try It: Calculating a Debt-to-Income Ratio

Fill in the table below using this information. Then calculate the debt-to-income ratio and answer the questions.

Monthly Debt Payments

- Anticipated monthly housing payment.... \$1,450.00
- Monthly credit card payment..... \$95.00
- Monthly vehicle payment..... \$280.00
- Monthly personal loan payment..... \$220.00

Monthly Gross Income..... \$3,750.00

Item	Amount
Monthly Debt Payments	
Anticipated monthly housing payment	
Homeowner or property owner association dues or fees or common area maintenance fees	
Land rent (for manufactured homes)	
Monthly credit card payments	
Monthly student loan payments	
Monthly vehicle loan payments	
Monthly personal loan payments	
Other:	
Other:	
Other:	
Other:	
Total Monthly Debt Payments	
Monthly Gross Income	
DEBT-TO-INCOME RATIO (Total Monthly Debt Payments divided by Monthly Gross Income)	

Try It: Calculating a Debt-to-Income Ratio *continued*

What does the debt-to-income ratio tell you in this example?

Can this person afford the house?

How could this person lower the debt-to-income ratio?



Apply It: My Debt-to-Income Ratio

You can use this table to calculate your debt-to-income ratio. Knowing this information before you visit a lender can be empowering. You can also work to reduce your debt if it seems to be over the limits generally preferred by lenders.

Use your pay statements or other records of your income to get your gross monthly income. Use your monthly bills, loan statements, credit card statements, or other records to get your monthly debt payments.

Item	Amount
My Monthly Debt Payments	
My anticipated monthly housing payment	
My anticipated monthly homeowner or property owner association dues or fees or common area maintenance fees	
My anticipated land rent (for manufactured homes only)	
My monthly credit card payments	
My monthly student loan payments	
My monthly vehicle loan payments	
My monthly personal loan payments	
Other:	
Other:	
Other:	
Other:	
Other:	
My Total Monthly Debt Payments (Add up the rows above)	
My Monthly Gross Income	
MY DEBT-TO-INCOME RATIO (My Total Monthly Debt Payments divided by My Monthly Gross Income)	



Remember the Key Takeaway

Buying a home is a process. Start by making sure you're ready to buy and figure out what you can afford.

Section 2: Financing a Home Purchase

We will discuss the basics of how home loans or mortgages work.



Key Takeaway

Know your loan. Learn about your financing options for buying a home and shop around to get the best deal for you.

Types of Loans

Most people need to borrow money to buy a home. Depending on the kind of housing you are buying, there may be different types of loans available for you:

Type of Housing	Type of Loan
Manufactured housing (mobile home) on rented land and/or not on a permanent foundation	Personal property or chattel loan (chattel means moveable property)
Unit in a cooperative	Co-op loan or a co-op share loan
House, condominium, or townhouse	Mortgage

Learn About Mortgages

Here are some key terms related to mortgages:

Mortgage:	A loan to buy your house, condominium, or townhouse
Principal:	Amount of money you borrow
Interest:	Cost of using money, expressed as a percentage
Points:	Fee paid in advance in exchange for a lower interest rate on the mortgage
Fees:	Money a lender charges for processing your application, such as application fees, processing fees, underwriting fees
Other charges:	Other money you may have to pay, such as an appraisal to determine the value of the property
Annual Percentage Rate (APR):	The overall cost of the loan on an annual basis, including the interest rate, points, and standard fees—it helps you compare loans
Down payment:	Portion of the home's purchase price you pay in cash
Private Mortgage Insurance (PMI):	Additional amount you may have to pay each month if your down payment is less than 20 percent of the purchase price
Loan amount:	How much money the lender will loan to you
Type of interest rate:	Fixed-rate or adjustable-rate
Loan term:	Length of the loan
Closing:	When ownership of the property is transferred from the seller to you—there may be additional upfront costs that you must pay at closing
PITI:	Principal, interest, taxes and insurance
Escrow account:	Where the lender or mortgage servicer deposits your monthly payments for property taxes and homeowner's insurance
Fixed-rate mortgage:	Mortgage with an interest rate that does not change
Adjustable-rate mortgage (ARM):	Mortgage with an interest rate that adjusts according to a schedule on pre-determined dates or tied to an index
Rate lock or lock-in:	Feature of a loan offer that means the interest rate won't change between the offer and closing
Balloon payment:	One-time payment required at the end of the loan term that is higher than the regular monthly payment

Different Kinds of Mortgages

The kind of mortgage that is right for you and that you qualify for depends on your situation. These are different kinds of mortgages:

Conventional mortgages:	No special requirements, such as having served in the military or living in a specific rural community You generally need: <ul style="list-style-type: none"> ▪ A good credit history ▪ Regular income ▪ A debt-to-income ratio within the lender's acceptable limits ▪ A down payment, which may range from 3% to 20% depending on the lender and loan program
Jumbo loans:	Mortgages above a certain dollar amount
Second mortgages:	Mortgages you take out in addition to one you already have
Government-guaranteed loans include:	<ul style="list-style-type: none"> ▪ Federal Housing Administration (FHA) loans <ul style="list-style-type: none"> • Visit hud.gov and search for "FHA Lender List" ▪ Department of Agriculture (USDA) loans <ul style="list-style-type: none"> • Visit usda.gov and search for "grants and loans" ▪ Department of Veterans Affairs (VA) loans <ul style="list-style-type: none"> • Visit va.gov and search for "home loans" ▪ U.S. Department of Housing and Urban Development (HUD), Section 184 Indian Home Loan Guarantee Program loans <ul style="list-style-type: none"> • Visit hud.gov and navigate to the page for Buying a Home

Other Assistance

State and local government agencies may offer other loan programs and assistance. Visit **hud.gov** and navigate to the "State Info" section. Examples could include:

- Down payment assistance or closing costs assistance
- First time homebuyer programs
- Programs to help people in specific professions get homes in the communities where they work
- Also check what programs may be available through your state housing finance agency. Find your state housing finance agency at: **www.fdic.gov/consumers/community/mortgagelending/map.html**.



Apply It: My Mortgage Options

Answer the questions below to help you determine which mortgage options could work for you.

What kind of housing do you plan to buy?

Check the box that corresponds with your answer.

Question	Yes	No	I don't know
1. Do you have money for a down payment?			
2. Will your down payment be at least 20 percent of the purchase price of the house? If you plan to pay less than 20 percent of the purchase price as a down payment, you may have to get mortgage insurance. It will depend on the kind of mortgage you qualify for. There are mortgages that don't require a 20% down payment.			
3. Do you have steady income?			
4. Do you have a good credit history?			

If you answered "Yes" to every question, you may want to explore a conventional loan or, if you are eligible, a VA loan from the Department of Veterans Affairs.

If you answered "No" or "I don't know" to any of these questions, you may want to explore some of the government-guaranteed loans and housing options mentioned earlier.

Also explore programs available to you that offer down payment assistance, closing costs assistance, and other forms of assistance.

How Mortgages Work

There are four factors to consider that affect the amount of your monthly mortgage payment:

- **Amount of the loan:** The less money you borrow, the less money you have to pay back. This means a lower monthly payment.
- **Interest rate:** The higher the interest rate, the more the loan costs. This means a higher monthly payment.
- **Kind of interest rate:** Fixed-rate or adjustable rate. How this affects your monthly payment will depend. Often, initial monthly payments with adjustable rates will be lower than with fixed rates, but then they increase when the rate adjusts.
- **Term of the loan:** The longer the term, the lower your monthly payment. But you will pay more interest because you will be paying for a longer period of time.



Try It: Reading an Amortization Schedule and Calculating Equity

Read the scenario and then answer the questions below each amortization table.

Scenario: Lucia Uses an Amortization Schedule and Calculates Equity

Lucia is ready to buy a home. She has \$10,000 for a down payment. She thinks she has pretty good credit and has had regular employment for the last 12 years.

She is not sure if she will qualify for a mortgage. Her friends told her she has to have great credit and a 20% down payment to get a mortgage. She's not sure that's true. She had a bankruptcy 11 years ago, and has credit card debt and student loan debt.

She does some research and finds out about Federal Housing Administration (FHA) loans. She also learned about several other loan options that could allow her to qualify for a mortgage with less than a 20 percent down payment. An FHA loan seemed like a good option so she applied for one.

Lucia buys a house that costs \$160,000. She uses her \$10,000 for a down payment. She was approved for a \$150,000 mortgage. The interest rate is fixed at 4.75%. The mortgage has a 30-year term. The bank gave Lucia an amortization schedule.



Try It: Reading an Amortization Schedule and Calculating Equity *continued*
Amortization Table 1

No.	Payment Date	Beginning Balance	Scheduled Payment	Principal	Interest	Ending Balance
1	2/1/19	\$150,000.00	\$782.47	\$188.72	\$593.75	\$149,811.28
2	3/1/19	\$149,811.28	\$782.47	\$189.47	\$593.00	\$149,621.81
3	4/1/19	\$149,621.81	\$782.47	\$190.22	\$592.25	\$149,431.59
4	5/1/19	\$149,431.59	\$782.47	\$190.97	\$591.50	\$149,240.62
5	6/1/19	\$149,240.62	\$782.47	\$191.73	\$590.74	\$149,048.90
6	7/1/19	\$149,048.90	\$782.47	\$192.49	\$589.99	\$148,856.41

How much will she pay each month?

\$

How much of her payment goes to principal in her first payment?

\$

How much of her payment goes to interest in her first payment?

\$

How much of the \$150,000 she borrowed does she still owe after her sixth payment?

\$

Try It: Reading an Amortization Schedule and Calculating Equity *continued*

It is five years later. Lucia is still regularly paying her mortgage. Use Amortization Table 2 to answer the remaining questions.

Amortization Table 2

No.	Payment Date	Beginning Balance	Scheduled Payment	Principal	Interest	Ending Balance
54	7/1/23	\$138,895.56	\$782.47	\$232.68	\$549.79	\$138,662.88
55	8/1/23	\$138,662.88	\$782.47	\$233.60	\$548.87	\$138,429.28
56	9/1/23	\$138,429.28	\$782.47	\$234.52	\$547.95	\$138,194.76
57	10/1/23	\$138,194.76	\$782.47	\$235.45	\$547.02	\$137,959.31
58	11/1/23	\$137,959.31	\$782.47	\$236.38	\$546.09	\$137,722.93
59	12/1/23	\$137,722.93	\$782.47	\$237.32	\$545.15	\$137,485.61
60	1/1/24	\$137,485.61	\$782.47	\$238.26	\$544.21	\$137,247.36

How much of her payment goes to principal in payment number 60?

\$

How much of her payment goes to interest in payment number 60?

\$

How much of the \$150,000 she borrowed does she still owe after payment number 60? Does this surprise you?

\$

Yes: **No:**

After five years, Lucia gets her home appraised. It is now worth \$171,500. How much equity does she have in her home after making payment number 60?

\$

Getting Pre-Qualified or Pre-Approved

Pre-qualification is an informal way to get an estimate of how much money you can borrow. It is not an approval for a loan.

Pre-approval is a commitment from the lender to lend you money under some conditions they specify. It helps to get a pre-approval before you look for houses.

Shop Around for a Mortgage

Get **Loan Estimates** from several lenders. A Loan Estimate is a three-page form that you receive after applying for a mortgage. There is no fee for the Loan Estimate, but they may charge a credit report fee.



Apply It: My Worksheet to Compare Loan Estimates

When shopping for a mortgage, you can use this worksheet to compare Loan Estimates.

Important Information	Loan Estimate #1	Loan Estimate #2	Loan Estimate #3
Lender name			
Lender contact information			
Date I received this information			
Loan Type (Check one)	<input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> USDA <input type="checkbox"/> Other:	<input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> USDA <input type="checkbox"/> Other:	<input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> USDA <input type="checkbox"/> Other:
Interest Rate Type (Check one)	<input type="checkbox"/> Fixed <input type="checkbox"/> Adjustable (ARM) <input type="checkbox"/> Hybrid (features of fixed and adjustable)	<input type="checkbox"/> Fixed <input type="checkbox"/> Adjustable (ARM) <input type="checkbox"/> Hybrid (features of fixed and adjustable)	<input type="checkbox"/> Fixed <input type="checkbox"/> Adjustable (ARM) <input type="checkbox"/> Hybrid (features of fixed and adjustable)

Apply It: My Worksheet to Compare Loan Estimates *continued*

Important Information	Loan Estimate #1	Loan Estimate #2	Loan Estimate #3
If the mortgage is an ARM or Hybrid, Initial Interest Rate and how often the interest rate can change			
Loan Term (Check one)	<input type="checkbox"/> 15-year <input type="checkbox"/> 30-year <input type="checkbox"/> Other:	<input type="checkbox"/> 15-year <input type="checkbox"/> 30-year <input type="checkbox"/> Other:	<input type="checkbox"/> 15-year <input type="checkbox"/> 30-year <input type="checkbox"/> Other:
Loan Amount (from Page 1 of Loan Estimate)			
Interest Rate (From Page 1 of Loan Estimate)			
Prepayment Penalty (From Page 1 of Loan Estimate)			
Balloon Payment (From Page 1 of Loan Estimate)			
Estimated Monthly Payment (From Page 1 of Loan Estimate)			
Estimated Closing Costs (From Page 1 of Loan Estimate)			
Estimated Cash to Close (From Page 1 of Loan Estimate)			

Apply It: My Worksheet to Compare Loan Estimates *continued*

Important Information	Loan Estimate #1	Loan Estimate #2	Loan Estimate #3
In 5-years: Amount Paid (From Page 3 of Loan Estimate)			
In 5-years: Principal You Will Have Paid Off (From Page 3 of Loan Estimate)			
Rate Lock Period: How long is the rate quoted by the lender valid?			

Which loan looks like the best option for you?

What features make it the best option for you?



Remember the Key Takeaway

Know your loan. Learn about your financing options for buying a home and shop around to get the best deal for you.

Section 3: Getting Help and Buying Your Home

We will discuss how to put together a team of professionals to help you buy a home, the major steps to buying a home, and where to get help if you find you are struggling to make payments on your mortgage.



Key Takeaway



Get help with the home buying process. Interview before you hire help and ask for references. Understand what services you will receive and how much they will cost.

Putting Together Your Team and Finding a Home

Have you ever thought about all of the people involved in helping you buy a home? There will be professionals involved at every step.





Apply It: My Home Buying Team

Use this worksheet to learn about the housing professionals that you may choose for your team. Then identify your team members or potential contacts. Ask co-workers, friends, or family members to share their experiences with professionals involved in the home buying process and their recommendations. Ask for references.

Team Member	What They Do	Possible Team Members (Name, Company, and Contact Information)
Real estate agent	<p>Helps you find a home that meets your needs and wants.</p> <p>Manages the process of writing your offer on a home and represents you in negotiations with the seller.</p> <p>Manages the process of writing the real estate contract, searching the title, and conducting closing with the title insurance companies.</p> <p>You can select a real estate agent to be your buyer's agent and work on your behalf, not the seller's.</p>	
Appraiser	<p>Provides an estimate of the home's value.</p> <p>You can learn more about appraisers and what they do by searching on "understanding residential appraisals" at https://www.usa.gov.</p>	
Lender	<p>Qualifies you for a loan. Also lends you the money to help you buy the home.</p>	
Housing inspector	<p>Identifies key problems with the home before you buy it.</p> <p>For more information on home inspections, go to www.usa.gov and search for "home inspection." Include your state's name in the search for state-specific information.</p>	

Apply It: My Home Buying Team *continued*

Team Member	What They Do	Possible Team Members (Name, Company, and Contact Information)
Housing counselor	<p>HUD-approved housing counselors provide advice on buying a home. They provide assistance at any stage of the home buying process, and contacting them early may help you get connected to down payment assistance and other resources.</p> <p>It may be helpful to consult with a housing counselor before working with a lender.</p> <p>Call 1-800-569-4287 or visit www.hud.gov/findacounselor.</p>	
Attorney	The attorney's role varies depending on state law and local practices. It may include writing the real estate contract, searching the title, and conducting the closing.	
Title insurance agent	Researches the title of the property to make sure the seller has the right to sell it.	
Insurance agent	Determines whether the property can be covered by insurance and how much the insurance will cost.	

Making an Offer

Once you find a house that fulfills most of your needs and wants, you will make an offer. Your real estate agent or attorney will write your offer.

Your offer tells the seller:

“I want to buy your home. And this is how much I am going to pay.”

What's In an Offer

Your offer to the seller will generally include the following items:

- The address and description of the property
- The sale price
- How much money you are offering to pay
- Your target date for closing
- The amount of earnest money you are offering to pay
- How taxes and utilities will be handled

What Else Is In an Offer

- Description of who pays for things like title insurance, termite inspections, and property surveys
- A clause stating that you have the right to walk through the property one more time before the sale is finalized
- The date your offer expires
- Contingencies
- Special requests
- Other terms required by the laws in your state or you and your real estate agent think are important to include in your offer

You've Made an Offer

The seller then responds to your offer through your real estate agent or attorney in one of the following ways:

- The seller accepts your offer and negotiations end
- The seller rejects your offer and counters with an offer back to you
- The seller rejects your offer and does not counter with an offer back to you

Home Inspection

Consider including a requirement in your offer that says it depends on results from a home inspection. This is a type of contingency. This means your offer is contingent on (or depends on) getting the results from the home inspection. You consider the results from the inspection and decide if you still want to purchase the home.

Getting a home inspection is one of the most important steps in protecting yourself and your investment in the home buying process.

For more information on home inspections, go to **www.usa.gov** and search for "home inspection." Include your state's name in the search for state-specific information.

Closing on a Home

Closing is the last step in the home buying process. At closing, the loan becomes final. Funds are distributed to the seller and other professionals who receive payment at closing.

This is also when you become the owner of the home.

Congratulations!

Documents at Closing

You can expect to get the following documents at closing:

- **Closing Disclosure:** This is the form that lists the final terms of the loan, final closing costs, and the details of who pays and receives the money at closing.
- **Initial escrow statement:** This lists the costs the lender expects to pay from your escrow account. This includes estimated taxes, insurance premiums, and other charges during the first year of your loan. If there will not be an escrow account, this statement will be blank.
- **Promissory note:** This is the document that details your loan.
- **Payment option information:** You may receive information on how to arrange for your mortgage payments to be automatically deducted from your account at a financial institution.
- **Mortgage or security instrument:** This document explains your rights and responsibilities as a borrower.

There may be other documents required by state or local law. Your lender may also have additional documents.

Getting Help When You're in Trouble

You may find you are unable to make your mortgage payments.

As soon as you anticipate trouble, get help.

The number one mistake most people make is waiting too long to get help.



Apply It: My Resources for Getting Help Paying My Mortgage

Complete this list of potential sources of help and use it if you are having trouble paying your mortgage or think you might have trouble soon. Getting help early may keep you from losing the home you worked so hard to get.

Contact your lender.

My lender's name:

Email:

Phone:

Recommendations from my lender:

Contact the home preservation hotline. You can call them 24 hours a day at 1-888-995-HOPE™ (4673) or visit **www.995hope.org**.

Recommendations from the hotline:

Apply It: My Resources for Getting Help Paying My Mortgage *continued*

Contact a HUD-approved housing counselor. These professionals are trained to help people manage payment problems and identify resources and solutions if they exist. Visit www.hud.gov/findacounselor or call 1-800-569-4287.

My housing counselor's name:

Email:

Phone:

Recommendations from my housing counselor:

Contact your state housing finance agency. They will be able to point you to state resources. Find your state housing finance agency at: www.fdic.gov/consumers/community/mortgagelending/map.html.

My state housing finance agency contact's name:

Email:

Phone:

Recommendations from my state housing finance agency:

**Remember the Key Takeaway**

Get help with the home buying process. Interview before you hire help and ask for references. Understand what services you will receive and how much they will cost.

Module Closing

★ Remember the Key Takeaways

Section	Key Takeaway
1: Getting Ready to Own Your Home	Buying a home is a process. Start by making sure you're ready to buy and figure out what you can afford.
2: Financing a Home Purchase	Know your loan. Learn about your financing options for buying a home and shop around to get the best deal for you.
3: Getting Help and Buying Your Home	Get help with the home buying process. Interview before you hire help and ask for references. Understand what services you will receive and how much they will cost.

Take Action

You are more likely to take action if you commit to **taking action now**. One way to commit is to think about what you plan to do because of what you learned today. Then write it down.

What will I do?

How will I do it?

Will I share my plans with anyone? If so, who?

Where to Get More Information or Help

HUD-approved housing counselors provide assistance at any stage of the home buying process. Visit **www.hud.gov/findacounselor** or call 1-800-569-4287.

The FDIC's Affordable Mortgage Lending Center helps community banks compare current affordable mortgage programs and identify next steps if they seek to expand or initiate affordable mortgage lending. The site also contains information useful for consumers. Visit **www.fdic.gov** and search for "Affordable Mortgage Lending Center."

For more information on mortgages, visit **www.consumerfinance.gov** and search for "mortgages."

For more information on FHA loans, visit **www.hud.gov/buying/loans**.

For more information on VA loans, visit **www.benefits.va.gov/homeloans**.

For more information on USDA loans, visit **www.usda.gov** and search for "single family housing."

Your state housing finance agency has information about state resources for buying a home. Find your state housing finance agency at **www.fdic.gov/consumers/community/mortgagelending/map.html**.

Contact the home preservation hotline if you are in trouble on your mortgage. You can call them 24-hours a day at 1-888-995-HOPE™ (4673) or visit **www.995hope.org**.

If you have a question about a banking product, ask a customer service representative at the financial institution for help.

If you have a concern, explain to the customer service representative what happened and what you would like them to do to correct the situation. If that does not help, consider contacting the federal regulator for that financial institution.

To find out who regulates the financial institution, call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342) or visit **www.fdic.gov/consumers/assistance/filecomplaint.html**.

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Pre-Training Survey

Your instructor may ask you to complete this pre-training survey before the training begins.

Please answer these questions:

- | | | | |
|----|--|------|-------|
| 1. | Your real estate agent will decide what you can comfortably afford to pay for housing. | True | False |
| 2. | Comparing offers from different lenders can save you money. | True | False |
| 3. | You have to choose the lender that your real estate agent recommends. | True | False |
| 4. | Which of these is included in a typical mortgage payment? | | |
| | a. Repayment of the real estate agent's salary | | |
| | b. Interest | | |
| | c. Home maintenance costs | | |
| | d. Gross income | | |
| | e. None of the above | | |
| 5. | Which of these factors affects the amount of your monthly mortgage payment? | | |
| | a. The amount of the loan | | |
| | b. The interest rate | | |
| | c. The kind of interest rate | | |
| | d. The term of the loan | | |
| | e. All of the above | | |
| 6. | You become the owner of the home at which event? | | |
| | a. Closing | | |
| | b. When you make an offer | | |
| | c. When your mortgage rate adjusts | | |
| | d. When you refinance your mortgage | | |
| | e. None of the above | | |

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Post-Training Survey

Your instructor may ask you to complete this post-training survey after the training ends.

Please answer these questions:

- | | | | |
|----|--|------|-------|
| 1. | Your real estate agent will decide what you can comfortably afford to pay for housing. | True | False |
| 2. | Comparing offers from different lenders can save you money. | True | False |
| 3. | You have to choose the lender that your real estate agent recommends. | True | False |
| 4. | Which of these is included in a typical mortgage payment? | | |
| | a. Repayment of the real estate agent's salary | | |
| | b. Interest | | |
| | c. Home maintenance costs | | |
| | d. Gross income | | |
| | e. None of the above | | |
| 5. | Which of these factors affects the amount of your monthly mortgage payment? | | |
| | a. The amount of the loan | | |
| | b. The interest rate | | |
| | c. The kind of interest rate | | |
| | d. The term of the loan | | |
| | e. All of the above | | |
| 6. | You become the owner of the home at which event? | | |
| | a. Closing | | |
| | b. When you make an offer | | |
| | c. When your mortgage rate adjusts | | |
| | d. When you refinance your mortgage | | |
| | e. None of the above | | |

Continued on next page

About the Training

Check the box that best describes your agreement or disagreement with each of these statements.

	Completely agree	Somewhat agree	Somewhat disagree	Completely disagree
7. I would recommend this training to others.				
8. I plan to apply what was discussed in this training to my life.				
9. The instructor used engaging training activities that kept me interested.				
10. The instructor was knowledgeable and well prepared.				
11. The Participant Guide is clear and helpful.				

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Visit the FDIC's website at **www.fdic.gov/education** for more information and resources on banking-related issues. For example, FDIC Consumer News provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

**You can also call the FDIC for information and assistance at
877-ASK-FDIC (877-275-3342).**



MONEY SMART for Adults

**PARTICIPANT GUIDE
Module 13: Buying a Home**

**September 2018
www.fdic.gov/education**