



Welcome!

The session will
begin soon



Schedule

**Financial
Sense**

1

Identity Theft

September 24: 12:00 - 12:50 PM ET

2

CREDIT REPORTS & SCORES

October 8: 12:00 - 12:50 PM ET

3

CONSIDERING HOMEOWNERSHIP

October 22: 12:00 - 12:50 PM ET

4

Mortgages

November 5: 12:00 - 12:50 PM ET

Learn more and RSVP at:
gvsu.edu/alumni/fs



Considering Homeownership

Familiarize yourself with the home buying process and explore methods to build your personal and financial readiness for home ownership.



Workshop Goals

- 1** Review the costs and responsibilities associated with home ownership.
- 2** Explore the loan and repayment process.
- 3** Learn how to find out if you are financially ready to own a home.



| Pro or Con

POLL QUESTION

1. Your home is an asset.
2. You need to make payments toward a home.
3. You need to pay taxes on a home.
4. You can remodel your home any way you like.



The Pros and Cons of Owning a Home

1. Your home is an asset.

Pro: The value of the home may go up over time.

Con: The value of the home may go down over time.

2. You need to make payments toward a home.

Pro: A portion of every monthly payment goes to the principal and gets you closer to owning a valuable asset.

Con: You need to make a down payment up front, and there may be many other home ownership costs.

3. You need to pay taxes on a home.

Pro: Homeowners may be able to deduct property taxes on their income tax return.

Con: You must pay property taxes.

4. You can remodel your home any way you like.

Pro: You can renovate and decorate your home.

Con: You are responsible for all repair and maintenance costs.



Common Terms

Income

Money earned from wages (salary, tips, etc.), Social Security or investments

Income history

Proof of current and previous employment

Debt-to-income ratio

A percentage that measures how much of a person's monthly income goes toward debt payments

Credit score

A three-digit numerical score that predicts a person's ability to repay loans

Down payment

A lump sum of cash used to pay for part of your home that shows lenders you're committed to the purchase



The Five Cs of Credit

Capacity

Your present and future ability to meet your payment obligations

Capital

Your assets including cash, savings and investments, property etc., that you could sell quickly for cash

Collateral

Property or assets offered to secure a loan

Character

Your history of delivering on commitments

Conditions

The purpose of the loan and any factors that might impact the loan or affect your ability to repay



Financial Action Plan: Renting or Owning

Rory graduated college in 2022 and was recently given an annual raise to \$72,000. Rory is now trying to decide between continuing to rent or making an investment by purchasing a home.

Renting

Rent Payment (avg. rent for 1 Bed, 1 Bath in Kent County per Rent Café)	\$1,500
Credit Card Payment	\$100
Auto Loan Payment	\$300
Student Loan Payment (out of deferment)	\$200
Total Expenses	\$2,100

Owning

Mortgage (\$250K home with 3% down, 30-year fixed mortgage at current market rates with taxes and insurance included)	\$2,000
Credit Card Payment	\$100
Auto Loan Payment	\$300
Student Loan Payment (out of deferment)	\$200
Total Expenses	\$2,600



Debt-to-Income Ratio

The maximum DTI on most mortgage programs is 45% of the borrower(s) gross monthly income.

DTI = Total Monthly Expenses / Total Monthly Income

Rory's Total Debts with Mortgage Added In **\$2,600**

Rory's Total Gross Monthly Income = $\$72,000/12$ **\$6,000**

DTI Calculation **43%**



Credit Score

A credit score is a three-digit number that reflects a person's credit history and predicts the person's likelihood to repay a loan. The higher the number, the better the score.



What affects my credit score?

- Payment history
- Amounts owed
- Length of credit history
- Types of credit used
- New credit

How do I check my credit score?

For a fee, you can get your credit score through any of the credit bureaus.

What determines my credit score?

Data on your credit report, which is reported by three credit bureaus:

- Equifax
- Experian
- TransUnion



Home Buying Costs

Down Payment

+

Miscellaneous Costs

+

Closing Costs



Home Buying Costs: Down Payment

A down payment is a cash payment toward the purchase of a home. It typically ranges between **0%** and **20%** of the purchase price.

Marta wants to buy a house that costs **\$250,000**. See how having a down payment can affect her interest rate and other costs.

Scenario A

Marta does not have any cash saved for a down payment, so she will need to borrow the full **\$250,000** amount.

Down payment: **\$0**
Interest rate: **7.125% (current market rate)**

At the end of the first year, she will have paid **\$17,732** in interest.

Scenario B

Marta has saved **\$7,500** for a down payment. She needs to borrow only **\$242,500** from the bank.

Down payment: **\$7,500**
Interest rate: **6.375% (current market rate)**

At the end of the first year, she will have paid **\$15,379** in interest.



Home Buying Costs: Miscellaneous Costs

Credit check

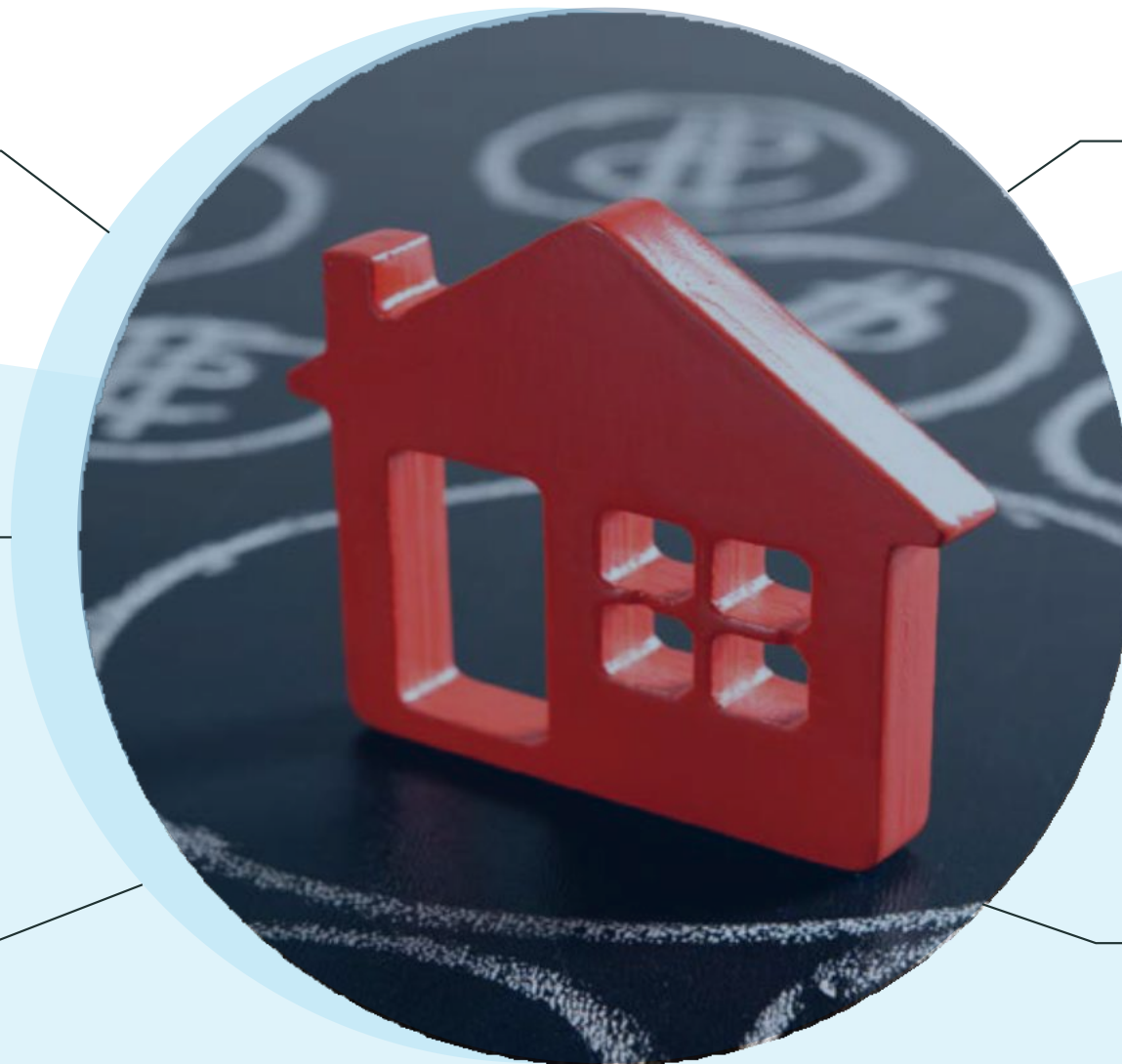
Real estate taxes

Inspection costs

Repair costs

Appraisal costs

Ongoing costs



Home Buying Costs: Closing Costs

Closing costs are expenses over and above the purchase price of a home. Common closing costs include—but are not limited to—the following:

- Appraisal fees
- Tax service provider fees
- Title insurance
- Government taxes
- Prepaid expenses, such as property taxes, homeowner's insurance (if applicable) and interest until your first payment is due

Total amount of closing costs may be between 2% and 4% of the purchase price.



Private Mortgage Insurance

What is it?

Insurance that guarantees the lender will be paid the amount remaining on the mortgage if the buyer defaults

Who needs it?

Anyone who can't make a down payment of at least 20% of the purchase price



Types of Loans

Conventional loans are mortgage loans provided to people who meet certain criteria, including income level, DTI percentage and credit score. These loans are provided by the following organizations:

Financial institutions

Credit unions

Mortgage companies

Government-backed loans are government loans available to buyers who may not have good credit or a large enough down payment. These loans are provided by the following organizations:

Federal Housing Administration (FHA)

The FHA helps insure loans through private lenders to borrowers with low credit scores or limited down payment funds.

USDA Rural Development Services For those looking to buy a home in a rural area, the USDA offers several types of loan assistance for direct loans and guaranteed loan programs. USDA assistance programs typically are targeted to low- and moderate- income individuals.

Veterans Administration (VA) For eligible veterans, service members and surviving spouses, the VA can guarantee a portion of a loan from a private lender.



Free Resources

- **The Truth in Lending Act** requires that buyers be given information about the key features, costs and risks of their mortgages (including loan estimates and closing disclosures).
- **The Consumer Financial Protection Bureau** (www.consumerfinance.gov/owning-a-home/) provides protections and resources for buyers when financing a home.
- **The U.S. Department of Housing and Urban Development website** (https://www.hud.gov/topics/buying_a_home) has many helpful resources, including the following:
 - Fair Housing: Equal Opportunity for All
 - Information about borrowers' rights
 - Homebuying programs
- **The USA.gov Finding a Home** site can be found at <https://www.usa.gov/finding-home>.



Summary

- 1** It is important to understand your personal financial readiness before considering homeownership.
- 2** Be sure to check your personal credit and your debt-to-income ratio when considering homeownership.
- 3** You must thoroughly review all the costs associated with homeownership before beginning the process of purchasing a home.



Your Money. Your Life.

Complimentary digital resources available 24/7.

As your partner in financial wellness, Consumers @Work offers a wealth of resources and financial literacy content to help your employees feel confident in their financial decision-making, including relevant presentations, quick and informative online courses, and a robust library of financial courses, educational blogs, podcasts and videos.

Online financial literacy courses are 3-5 minutes long, mobile friendly, ADA compliant and available in English and Spanish. Discover our personalized playlists, which match your financial goals with relevant course recommendations.

Topics Include:

- Financial basics
- How to identify and stop fraud
- Owning a home
- Investing in your future
- Preparing for retirement
- Financial caregiving
- And more!

The screenshot displays the Consumers Credit Union website. At the top left is the logo for Consumers Credit Union. The hero section features a collage of four images: a man in a car giving a thumbs up, a family of three, a man holding a credit card, and a woman smiling. Overlaid on this collage is a dark blue box with the text "Your Money. Your Life." and "Consumers is proud to be your financial partner as you live, work and play. Take a look at the tools we have to help you build a financial plan for every stage of your life." Below this is a white button that says "LET'S GET FINANCIALLY FIT TOGETHER!".

Below the hero section is a "Select a Topic" grid with four cards:

- Financial Foundations**: Understand the basics of some key financial concepts. Includes a bank icon and an "EXPLORE" button.
- Investing in Your Future**: Learn how to be more financially prepared in the years ahead. Includes a graduation cap icon and an "EXPLORE" button.
- Building Financial Capability**: Learn how to manage your money and avoid financial dangers. Includes a calculator icon and an "EXPLORE" button.
- Owning a Home**: Explore the benefits and costs of buying and owning a home. Includes a house icon and an "EXPLORE" button.



Thank you!



ConsumersCU.org | 800.991.2221



five star*
REAL ESTATE LEADERS



Gregg Teegardin

Mortgage Loan Officer – Market Manager

E: gregg.teegardin@consumerscu.org

P: 616.446.5662



Rustin Scott

Associate Broker

E: rustin@rustin-scottgroup.com

P: 616.889.1097



**Financial
Sense**

Thank you!



Learn more & RSVP at:
gvsu.edu/alumni/fs