- Owning A Home
- Home: Today and Tomorrow 6th Edition, Chapter 9
- Buyer Initial Costs
- Earnest Money
    - Deposit a potential buyer pays to prove seriousness of interest
    - Held in a trust (usually by an attorney or real estate broker) until deal is final
        - Then applied towards purchase price
    - If deal doesn't go through:
        - Because buyer cannot secure a loan, money usually refunded
        - Because buyer backs out of the deal, buyer loses earnest money
        - Buyer Initial Costs
- Application and Credit Check Fees
    - Bank or other lending institution may charge fees:
        - To apply for a loan
        - To check buyers credit report
    - Helps determine if buyer is a safe risk
    - Done at buyer's expense, even if lending institution requires
- Buyer Initial Costs
- Inspection Fees
    - If serious about making an offer, need certified professionals to check the home over
        - Structure, foundation, and roof (general home)
        - Electrical, plumbing, heating and cooling systems
        - Pests, such as termites
        - Lead, aspestos, and radon
    - Making sure home is safe and livable
        - Buyer can find out things before deal is final
    - Done at buyer's expense
- Buyer Initial Costs
- Down Payment
    - Partial payment at time of purchase
        - 5 – 25% of purchase price
        - Determined by lending institution
        - Average is 10%
        - Few loans and programs, usually government based, that don't require down payment
    - More money put down, less monthly payment
- Determining Down Payment
- Young people sometimes ask family members for loans to help they make the down payment when purchasing a home.
    - How do you feel about this?
    - Would it be a good idea, why or why not?
    - If you did borrow money from family, what should the repayment schedule look like?

- Figure the down payment for the following home prices for each of the percentage rates.
- Determining Down Payment
- Buyer Initial Costs
- Closing Costs
  - Fees due at time of purchase
  - Typically several thousand dollars
  - Credit check and inspection fees included
  - Survey, appraisal, and title search fees
  - Attorney fees
  - (more on closing costs later)
- Buyer Initial Costs
- Moving and Other Costs
  - U-haul and storage rentals if needed
  - Connecting utilities and other services
    - Connection fee and deposits
  - Purchasing of needed items
    - Appliances
    - Lawn equipment
    - landscaping
- Buyer Continual Costs
- Monthly Mortgage Payment
  - Mortgage = home loan
    - Different from other loans because long term
    - Between 15 and 30 years
  - 2 parts
    - Principal – original loan amount (price of home)
    - Interest – fee lending institution charges to borrow
  - At first majority of money goes toward interest
    - At end of loan, opposite
- Mortgage Loan Officer
- Read hand-out pages 202-203
- Complete Career Activities # 1 and 2
- Buyer Continual Costs
- Taxes
  - Property taxes
  - May be added to monthly mortgage payment
    - Esgrow account
    - Money held in trust by a 3rd party until due
  - Based on value of property (home)
  - Used to pay for community services
    - Public schools, libraries and parks
    - Street repairs
- Buyer Continual Costs

- Insurance
    - Property insurance
        - Covers cost of repairing or replacing objects damaged by fire, theft, or other hazards (flood ins. Separate)
    - Liability insurance
        - Covers claims filed against homeowner by persons injured on property
    - Most lending institutions will require insurance
- Buyer Continual Costs
- Utilities
    - Homeowner pays all: water, sewer, garbage, natural gas, electricity, phone, cable, internet
        - Pay hook-up fees and deposits as well
    - Homeowners responsibility to make sure all services are in their name
- Maintenance
    - Homeowners responsible for costs of upkeep of property and land care
    - Home inspection before purchase important
    - Proper upkeep reduces liability risks
- Analyzing Your Finances
- Income
    - Money received (work, investments, etc.)
    - For housing need to know monthly and yearly income
        - Steady
        - Variable
    - Monthly mortgage payments due no matter what happens to income
- Analyzing Your Finances
- Expenses
    - Fixed expenses
        - Paid regularly
        - Amount fairly consistent
            - Rent or mortgage payment
            - Cable bill
            - Car payment
    - Flexible expenses
        - Do not occur regularly
        - Amount varies
            - Clothing
            - entertainment
- Analyzing Your Finances
- Savings
    - For unexpected events
    - These events are often expensive
        - Roof repairs
        - Broken water pipe
- Strengthening Your Finances

- Make a budget
    - Financial plan
    - Stick to it!
- Set aside savings 1st
    - Don't try to save what's left at end of month, won't be any left!
- Reduce flexible expenses
    - Limit impulse buys
- Strengthening Your Finances
- Reduce debt
    - Pay it off, starting with smallest
- Keep records
    - Know where your money goes
    - Other Resources to Lower Costs
- Use human resources
    - Things people can do
- Building your own home or helping with the building
- Do repairs and maintenance yourself
- Use the skills you have for improvements
    - Sewing for decorative purposes
    - Plumbing to update a bathroom
- Review
- Answer the following questions:

1. Name 3 initial costs of buying a home?
2. What is a mortgage and how is it different from other loans?
3. Explain the differences between fixed and flexible expenses?
4. Name 3 ways to strengthen your finances?
5. What are 2 ways to use human resources to reduce expenses?

- Application
- Property taxes are based on the tax rate & a home's assessed value (the amount of money the tax agency says the home is worth)
    - Suppose a house is assessed at $72,000. If the annual property tax rate is 86 cents for each $100 of assessed value, what would be the taxes on the house?
    - Assume that the next year the house is reassessed at $80,000 and the tax rate is 91 cents for each $100. What would the new taxes be?
    - Why is it important for homeowners to know how their taxes are calculated?