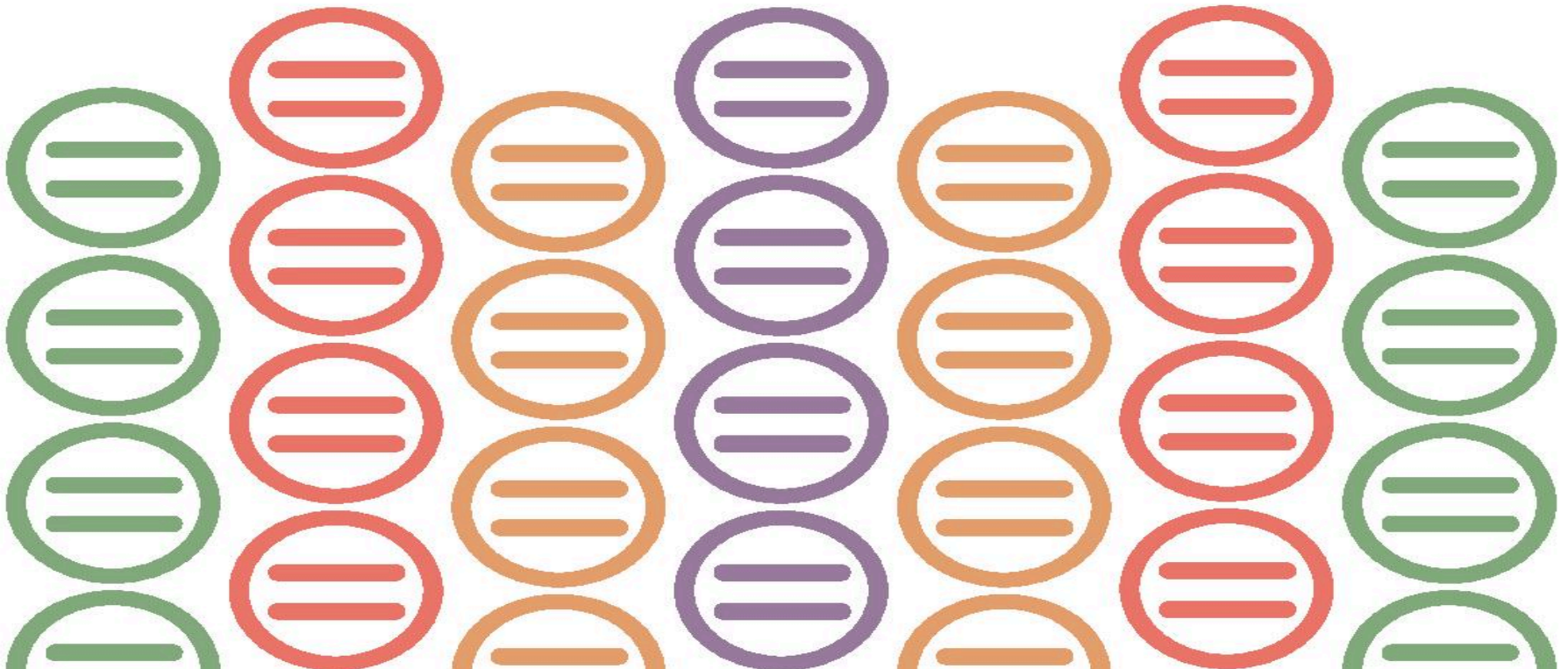


# Homebuyer Education

## Section 8

### Life as a Homeowner

Staying on Track to Keep Your Home



# Your Responsibilities as a Homeowner

## Responsibilities to Yourself

**First responsibility is to protect your housing investment**

- Make your payments on time
  - It protects your credit score
  - It will help you if you ever have a crisis
- Maintain and repair with the property
  - Keep its value
  - Use reasonable caution to prevent hazards such as fire
  - Use reasonable caution to prevent injury to others
- Don't risk your home by taking out a second mortgage unless
  - You have lots of equity in the house
  - You will use the money for asset-related activities
    - Home improvement
    - Starting a new business
    - College or technical education

# Your Responsibilities as a Homeowner

## Responsibilities to Your Neighbors

- Keep your neighborhood property values up
  - Everyone's property values affect the others
  - Control noise, pets, trash and children
    - Keeps property values up
    - Builds good relationships with your neighbors
- Get to know your neighbors
  - Best deterrent (according to police) to theft is your neighbors knowing your routine
  - Neighbors can help when you have to be out of town or are ill
  - You can help neighbors in return

## Your Responsibilities as a citizen

- Fair Housing
- Property Taxes
- Income Taxes
- Voting

## **Understanding your payment and payment servicing protects your investment**

- Most house payments are PITI (Principle, Interest, Taxes, and Insurance)
- Make sure you understand your house payment
- Make payment on time
- If you are late, check with your lender to see if there is a “grace” period
- If you miss three payments you are facing foreclosure
- If you have questions or problems the lender is required to respond to you

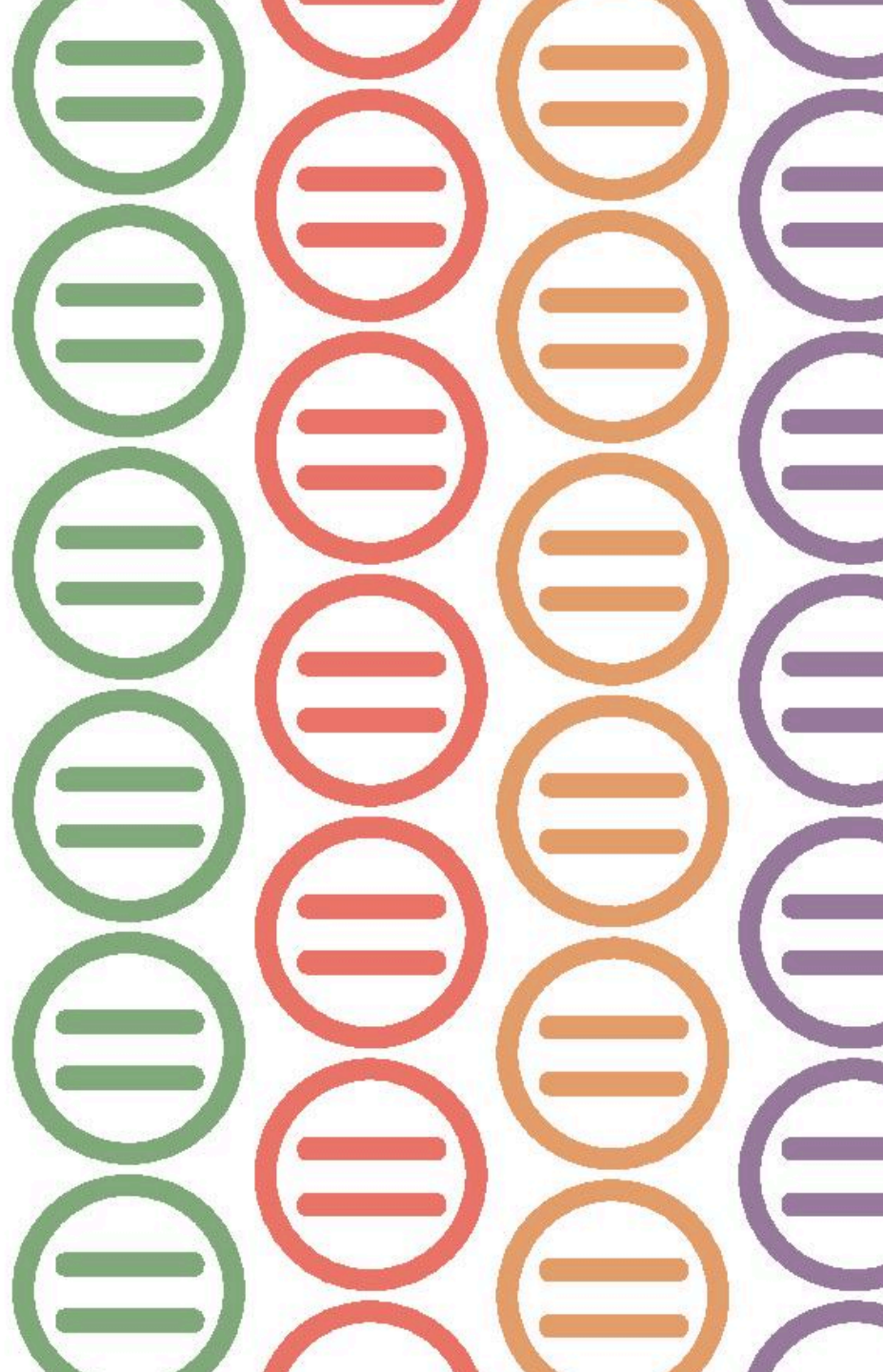
## **Your Payment Can Change**

- Fixed-rate mortgage payment change
- Part of payment each month is going into an escrow account
- Money accumulates in escrow to pay your property taxes
- The payment may be decreased if too much money accumulates



## Your Servicer can Change

- current servicer must notify in writing at least 15 days before transfer
- Notice must include
- Effective date of transfer
- Name, address, and toll-free or collect call telephone
- Information on any optional insurance
- Statement that transfer does not affect terms or conditions



## **Prepaying your Mortgage**

Interest on your mortgage is calculated each month of the unpaid balance.

- Amounts on your loan papers assume
- You make your payments each month
- You make no extra payments

## **Before Preparing your Mortgage**

- Consider whether the money would be better spent on financial goal
- Are you on track with retirement savings
- Have you paid off higher interest debt that is not tax deductible
- Do you have adequate reserve funds
- Maintenance account
- Job loss/medical emergency
- Do you have sufficient insurance coverage?
- Health, life, disability
- Adequate homeowner coverage

The background of the slide features a repeating pattern of circles in various colors (green, red, orange, purple). Each circle contains two horizontal bars of the same color as the circle's outline, creating a stylized, geometric design.

## **Protecting Your Home: Insurance Reviews and Settlement Rights**

- Review your homeowners insurance regularly
- Get to know your insurance agent
- Insurance is regulated by the States

## **Avoiding Problems**

- The easiest way to solve problems is to not have them in the first place
- Stick to your financial plan
- Plan for the unexpected! It's bound to happen
- Save up for repairs and replacements



## **Avoid temptations**

- After buying a house you will get lots of offers in the mail
- You will also receive offers from contractors for improvements
- You will receive offers to use the equity in your home to pay off your debts
- You may be told to use your home equity for major purchases
- Predatory Lenders target new homebuyers in certain price ranges, demographic groups

## **In the event of a financial crunch**

- Understand payment priorities
- Pay your utilities services next
- If you need your car to get to work, your car loan is the next payment to make
- Court-ordered payments such as alimony and child support should be made to avoid possible criminal action
- Income tax
- Student loans



## **When to refinance**

- Refinancing costs are similar to closing costs.
- Can add 3 to 6% of the amount you are borrowing
- Weigh the costs against what you gain by refinancing

## **Reasons to refinance**

- Reduce the interest rate
- Change adjustable rate mortgage to fixed rate mortgage
- Reduce term of the mortgage to save money on interest
- Home improvement loan

## **Home equity loans**

- Advertised a lot because they are a good deal for the lender
- Equity loans take your share of ownership out of your house
- Can be attractive because the interest rate is lower
- Use equity home improvements, medical crises, and retirement