What to Look for When Searching For a Place to Live

This program is made possible by a grant from the FINRA Investor Education Foundation through Smart Investing@your library®, a partnership with the American Library Association.

Image for the credit:
http://www.hamblenteam.com/agent_files/Search%20for%20Home%20Sweet%20Home%20Adam.png
"We want a cozy, secluded 20-acre farm surrounded by hills, trees, and streams, within walking distance of shops, restaurants, schools, theaters, and hot night spots."
I LIKE THE HIGH CEILING, AND ROOFTOP GARDEN, BUT WE’LL NEVER GET ALL OUR COLORED ROCKS TO FIT IN HERE...

LET’S KEEP LOOKING
Setting a Budget

- Determine how much you can afford.
  - 25-35% of your net income.
  - Include the cost of additional expenses.
    - Internet
    - Cable
    - Parking
    - Utilities
    - Pets/Laundry

- Does this amount match what you are willing to pay?

FAMILY
Prosperity Initiative
Financial Literacy for All
RENTING
Things to Know Before Renting

- Location
- Check your credit
- Know where to search
- Consider what is important to you
- Review your spending plan
- Ask what is included in the rental cost
Property Sites

- www.rentler.com
- www.zillow.com
- www.ksl.com
- www.trulia.com
- www.hotpads.com
- www.craigslist.com
Things to Consider During Your Search

- SHOP AROUND
- Ask friends and co-workers about their experiences
- Ask about rent increases/fees
- Do the property managers or landlords respond quickly?
- Is parking included
- What amenities are included in the rent
- Time lengths of contracts
- Are there photos posted of the property?
- How do the property and grounds look?
Steps to Take Before Renting

1. Purchase Renters’ Insurance. Inventory your possessions.
2. Evaluate the property and the neighborhood.
3. Get an inspection or take an inventory of the property.
4. Read the lease thoroughly before you sign.
# Renter’s Insurance

<table>
<thead>
<tr>
<th>Personal Property Coverage</th>
<th>Liability Coverage</th>
<th>Additional Living Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Helps cover the cost of replacing your stuff if it is damaged or ruined.</td>
<td>• Protects renters from legal responsibilities related to injuries to other people or damage to property.</td>
<td>• Provides coverage of additional living expenses in case of displacement from the property due to fire, flood, etc.</td>
</tr>
<tr>
<td>• Create a home inventory in order to set an appropriate coverage limit.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*FAMILY Prosperity Initiative*  
Financial Literacy for All
Questions to Ask When You Find a Place

- How are maintenance problems handled?
- Are there late fees and how much are they?
- Are utilities included in the rent price, and if so, which ones?
- How much will I pay in up-front costs?
- Is there a required deposit?
- How much of my deposit is refundable?
- Any questions regarding a release clause.
Clauses to Understand

- Parking
- Noise restrictions.
- Pet allowance and fees.
- Parking restrictions or guidelines.
- Policies regarding guests and visitors.
- Decorating guidelines and restrictions.
Common Mistakes Made By Renters

- Failure to Comparison Shop.
- Not reading the lease or paying attention to details.
- Not asking the right questions.
- Not documenting the properties condition or taking a personal inventory.
- Choosing not to purchase renters insurance.
- Lack of communication with landlord or management company.
HOME OWNERSHIP
Home ownership

Advantages
• Build Equity
• It is yours
• You can make changes
• Paint, Decorate, Remodel
• More Space

Disadvantages
• Constant up-keep and costs
• Neighborhood Depreciation
• Harder to move quickly
Costs of Home Ownership

- Roof/Fences
- Landscape
- Utilities
- Appliances
- Taxes and Insurance
- Furniture for more space.
- Yard Care
  - Sprinklers
  - Lawn mower
  - Tools
How Much Does it Really Cost?

Cost of Home: $200,000
Length of Loan: 30 years
Interest Rate: 4.663%
Monthly Payment: $1,032.83
Total Cost: $1,032.83 x 360 months = $371,819.70
True Cost of Debt

Cost of Home: $200,000
Length of Loan: 30 years
Interest Rate: 7%
Monthly Payment: $1,330.60
Total Cost: $1,330.60 x 360 months = $479,017.80

Pay $107,198.10 more on the loan or $297.77 more a month.
Qualifying Ratios

• Debt ratios (Includes Principle, Interest, Taxes, Insurance)
  • Front end: Total amount spent on housing (Payment, HOA fees, property taxes, mortgage insurance, homeowners insurance.)
    – Should be less than 31%. Potentially could be up to 40%.
      \[3,000 \text{ income} \times 0.31 = 930.00\]
  • Back end: Total amount of all of your debts (mortgage, credit cards, auto loans, personal loans, student loans)
    – For an FHA loan this should not be more than 43% of your income. It may be possible to be approved with 50%
      \[3,000 \text{ income} \times 0.43 = 1,290\]
Steps in Buying a Home

- Decide how much you can afford
- Decide what kind of home you would like
- Get pre-approved with a lender
- Begin looking at homes with a Realtor
- Make an offer
- Professional inspection
- Apply for a loan
- Get insurance and additional inspections
- Close the loan
Pre-Approval vs Pre-Qualify

Pre-Approval
- Guarantee that your information has been verified
- Saves times because you know how much you can afford
- Negotiation ability
- Faster closing time

Pre-Qualify
- Statement that a lender makes saying they think you can qualify.
- Does not carry as much power as the pre-approval.
Who Can Help Me with the Process?

- Lender
- Realtor
- Sellers
- Insurance Agent
- Appraiser
- Inspector

Title Officer
Documents Needed for Loan Application

Pay stubs, bank statements, estimated property value, tax documents

- Current rental agreement, Identification, Social Security Card, Citizenship Papers/Green Card, Divorce Decrees
- Child Support Orders, Investment information, Information on current debts
Where Can I Apply for a Loan?

- Mortgage Broker
- Banks
- Credit Unions
- Online Banks
- Mortgage Banks
Questions to Ask a Lender

- What type of loan do you recommend in my situation?
- What are the fees for the loan?
- What is the APR?
- When will you lock in the interest rate?
- Can I pay my loan off early?
Types of Loans

- FHA
- VA
- Conventional

- Subprime Loans
- Fixed Rate, Adjustable Rate, Loan Length
Closing Paperwork

- HUD-1 Settlement Statement
- Good Faith Estimate
- Truth in Lending Statement
- Mortgage Note
Points

Prepaid interest that lowers interest over life of loan

Each point usually costs 1% of the loan amount. Lowers interest $\frac{1}{8}^{th}$ to $\frac{1}{4}^{th}$% 

Lowers interest for borrowers over length of loan. Gives lender cash up front.
Example of Points

Loan amount is $200,000
Interest rate is 5%
One Point would cost $2,000

To lower the interest rate you would buy 2 points for $4,000 and your interest rate would be lowered to 4.5%
Questions to Ask About Your Loan?

• What is the interest rate and number of discount points?
• What other rate and point combinations are available?
• What is the required down payment?
• What will mortgage insurance cost?
• Are they any prepayment penalties?
• What are the late payment charges?
Common Mistakes of Homeowners

- Indecisive
- Timing is off
- Overextending their budget
- Choosing the wrong mortgage
- Purchase the wrong size of home
- Looking at homes they cannot afford
- Buying in areas they know nothing about
- Do not carry the correct insurance on the home
Tips or Advice from New Homeowners

- “Read all of the documents.”
- “Be sure to check for sneaky fees.”
- “Take someone with you who understands the process and the paperwork.”
- “Inspect under the sinks closely.”
- “Borrow less than you qualify for.”
More Tips

 “Don’t let a bad paint job scare you away.”
 “Talk to neighbors about the area and what they like.”
 “Check your cell service in each room.”
 “Test out your rush hour commute. Drive from work to the new house to see if that is something you really want to commit too.”
Resources

- Homebuyer Course: USU Extension
  - [https://extension.usu.edu/hbe/htm/homebuyer-course-for-free/](https://extension.usu.edu/hbe/htm/homebuyer-course-for-free/)
Thank you!

This program is made possible by a grant from the FINRA Investor Education Foundation through Smart investing@your library®, a partnership with the American Library Association.