

Realizing the American Dream

**Are you ready to buy a home?
Managing your money**

Are you ready to buy a home?

Learning Objectives

What you will learn about:

- Setting financial goals
- How to determine if homeownership is right for you
- Assessing your current financial situation
- Preparing for buying a home – timeline, steps, key members of the homeownership team and cost of homeownership
- How to determine how much you can afford to spend
- How to determine if you are ready for homeownership

What you will be able to do:

- Set your financials goals
- Identify your personal values
- Analyze the pros and cons of owning a home
- Put a date and dollar amount of your goal of homeownership
- Rate your finances based on what Lender considers
- Make an action plan to achieve your goal of homeownership
- Prequalify yourself
- Decide to pursue homeownership
- Determine how soon you can buy a home
- Identify next steps

Financial Well-Being

Because people value different things, it can be tough to define what it means to be “financially healthy.” What might be an important measure to one person – say income – might not be what another person considers most important. However, in order to know how to “get there” we need to know what the “where” is!

The Consumer Financial Protection Bureau (CFPB) – an independent agency of the United States government launched in 2011 to protect consumers in the financial sector - talked to people across the country to find out what financial wellbeing looks like to them. Here is what they found were commonly shared ideas about what makes us financial health:

	Present	Future
Security	Control over your day-to-day, month-to-month finances	Capacity to absorb a financial shock
Freedom of Choice	Financial freedom to make choices to enjoy life	On track to meet your financial goals

Goal Setting, Assessing and Action Planning

Step 1: Identify Your Financial Goals

What do you want to save money for?

Retirement, a car, furniture, a vacation, a home?

To go to school or pay for your children's education?

For a charitable cause?

An emergency fund? Or to get out of debt?

1. Take a moment now and list several goals for your future.
2. Estimate the approximate savings required to achieve each goal. A good action plan and strong commitment to your goals can go a long way toward achieving them.
3. Choose one goal to focus on. Circle it.

Financial Goals	Approximate Savings Needed

Step 2: Make it a SMART goal.

SMART is an acronym for setting goals that ensure a much higher probability of success because of the way they are written.

Specific	What
Measurable	How much
Actionable	How (what you need to do to accomplish the goal)
Realistic	Based on your circumstances
Time-bounded	By when

Rewrite your selected goal as a SMART goal like the sample below.

Initial Goal	SMART Goal
Buy a house	Buy a house with 4 bedrooms, 2.5 baths for \$200,000 by June of next year
Save for our children's education	Save \$30,000 for each child by the time they graduate from high school

Initial Goal	SMART Goal

Steps in the Home Buying Process

Get a home inspection	Determine how much you can afford	Get loan pre-approved
Apply for a loan		Get insurance
Shop for a home	Close the loan	Make an offer
Decide what kind of house you need	Prepare for homeownership	

Steps in the Home Buying Process

Use the space below to put the steps in the home buying process in order.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

PREQUALIFYING WORKSHEET

1. Total Gross Monthly Income \$ _____

2. Total Gross Monthly Income x 30% = Housing Ratio
\$ _____

3. Total Gross Monthly Income x 43% = debt to income ratio
\$ _____

4. Total Monthly Debt Payments (minimum due)
\$ _____

5. Subtract line 4 from line 3
\$ _____

6. Maximum Mortgage Loan Payment Allowed
Enter whichever is less - line 2 or line 5
\$ _____

7. Escrows (Multiply Line 6 by 20%)
Estimated for Taxes and Insurance
\$ _____

8. Maximum Principal and Interest Payment Allowed
(Subtract line 7 from line 6)
\$ _____

9. **AFFORDABILITY** = Divide Line 8 by factor
(See sample factor table)
\$ _____

10. **Maximum Mortgage Loan Amount**
Multiply line 9 by 1000
\$ _____

Develop a Successful Action Plan

Brainstorm all the actions it will take to reach your selected goal.

Actions

Put Your Plan Into Action and Track Your Results

What's Your Plan?

My SMART goal is _____

The steps I can take to help me reach my goal are:

Action Step 1: _____

Action Step 2: _____

Action Step 3: _____

To get started. What can I do today?

This week?

This month?

What will I do on an ongoing basis to achieve my goal?

How will I stay on track by challenging myself, rewarding myself and reminding myself to stick to my plan?

Who can I ask to give me support, reinforcement or guidance along the way?

Are you ready to buy a home?

Resources

<https://agentresources.bankofamerica.com/homebuying>

Resources for Homebuyers

www.knowyouoptions.com/buy/buying-process

Overview of Buying Process

<http://myhome.freddiemac.com/>

Resources to Rent, Buy and Own a Home

http://portal.hud.gov/hudportalHUD?src=/topics/buying_a_home

Information on Buying a Home

www.keystomyhome.org

Information on Buying a Home

www.consumerfinance.gov/owning-a-home/

Tools and Resources for Buying a Home

<http://cgi.money.cnn.com/tools/prioritize/servlet>

Tool to Prioritize Goals

www.annualcreditreport.com

To Order Annual Free Credit Report

www.bankrate.com

Local Mortgage Interest Rates

Area Median Home Prices

www.trulia.com

www.zillow.com

www.realtor.org

www.bankrate.com/calculators/mortgages/new-house-calculator.aspx

Affordability Calculator

Managing Your Money

Learning Objectives

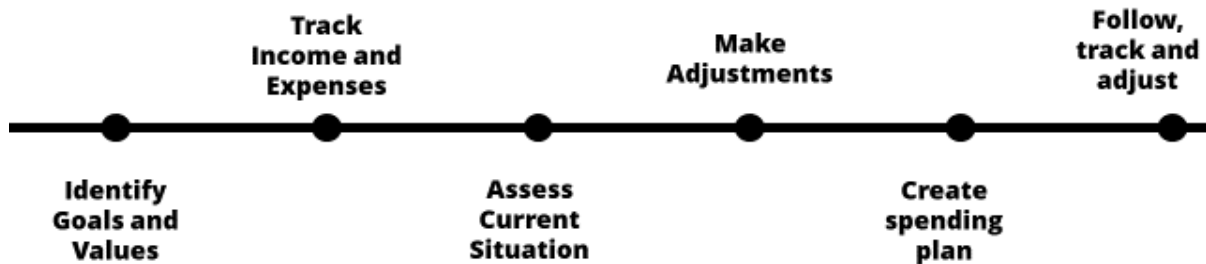
What you will learn about:

- Assessing your cash flow situation
- Money habits and attitudes
- How to maximize income and reduce spending
- Spending plans
- Savings

What you will be able to do:

- Track where your money is coming from and going
- Analyze your bottom line after expenses are subtracted from your income
- Estimate how you handle and feel about money
- Adjust your financial habits to reach your goals
- Create realistic spending plan
- Establish habits to manage your money for the long-term
- Make a plan to build your savings

Understand the Steps for Creating a Spending Plan



Monthly Income Worksheet

Figure Your Monthly Income

Your weekly pay \$ _____ X 52 ÷ 12 \$ _____
(take-home pay) (monthly income)

or

Your twice-a-month pay \$ _____ X 2 \$ _____
(take-home pay) (monthly income)

Your Monthly Take-home Pay \$ _____

Figure Other Household Members' Monthly Income

Weekly pay \$ _____ X 52 ÷ 12 \$ _____
(take-home pay) (monthly income)

or

Twice-a-month pay \$ _____ X 2 \$ _____
(take-home pay) (monthly income)

Other Household Members' Take-home Pay \$ _____

Other Monthly Income

Second job \$ _____

Regular overtime \$ _____

Public assistance \$ _____

Child support \$ _____

Pension \$ _____

Social Security \$ _____

Other \$ _____

Total Other Monthly Income \$ _____


Total Net Monthly Income \$ _____

MONTHLY BUDGET



Name: <input style="width: 90%;" type="text"/>		Date: <input style="width: 90%;" type="text"/>	
Housing		Donations	
Rent or Mortgage #1		Charity/Tithes/Offerings	
Rent or Mortgage #2		Education	
Heating (gas or oil)		Student Loan Payments	
Electricity		Tuition or Lessons	
Water & Sewer (/3 mos)		Books, Newspapers, Magazines	
Telephones (land line)		Other	
Cell Phone		Personal	
Homeowners Insurance (if separate)		Barber or beauty shop	
Property Taxes (if separate)		Toiletries, Laundry, or Dry Cleaning	
Trash Service		Clothing	
Other		Tobacco products	
Other		Beer, wine or liquor	
Transportation		Other	
Gas		Entertainment	
Car payment #1		Movies, sporting events, concerts	
Car payment #2		Video rentals or purchases	
Car insurance		Internet service	
Public transportation		Cable/satellite/Streaming TV	
Repairs, Maintenance		Gambling and lottery tickets	
Other		Memberships or dues	
Food		Other	
Groceries		Miscellaneous	
School or Work Meals		Checking account fees	
Restaurants and take-out meals		Pet care and supplies	
Other		Postage or office supplies	
Insurance		Other	
Health <i>(medical/dental if not payroll deducted)</i>		Debts	
Life Policy		Credit card #1 (monthly minimum)	
Disability		Credit card #2 (monthly minimum)	
Other/Renters		Credit card #3 (monthly minimum)	
Medical		Credit card #4 (monthly minimum)	
Doctor		Credit card #5 (monthly minimum)	
Dentist		Credit card #6 (monthly minimum)	
Prescriptions		Personal loans	
Medical Bills <i>(only if currently paid)</i>		Debt consolidation program	
Other		Savings	
Childcare		Other	
Childcare or babysitters		Other	
Child support or alimony		Other	
Other		Other	
INCOME			
Income #1		Source:	
Income #2		Source:	
Income (SNAP, unemployment, Child Support etc.)		Source:	
Total Monthly Income			
EXPENSES			
Total Monthly Expenses	\$	<i>(total from above)</i>	
MONTHLY DIFFERENCE			

Assess Current Situation

Monthly Discretionary Income Worksheet 	
Figure Your Discretionary Income	Extra Money Each Month
Total Monthly Income	\$ _____
Minus total regular monthly expenses	\$ _____
Discretionary income <i>(Balance available to spend or save)</i>	\$ _____

Make Adjustments

What are several ways that you can increase your income?

1. _____
2. _____
3. _____

What are several ways that you can reduce your expenses?

1. _____
2. _____
3. _____

Managing Your Money Resources

CreditSmart by Freddie Mac

Get a Financial Life: Personal Finance in Your Twenties and Thirties by Beth
Kobliner, Simon & Schuster; 3rd Edition

Grow Your Money! Easy Tips to Plan, Save, and Invest by Jonathon Pond, Harper/Collins

The Millionaire Next Door by Thomas Stanley and William Danko, Longstreet Press, Inc.

Money Smart by the Federal Deposit Insurance Corporation

Nine Steps to Financial Freedom by Suze Orman, Crown Publications

Personal Finance for Dummies by Eric Tyson, IDG Books Worldwide

The Wealthy Barber, Updated 3rd Edition by David Chilton, Prima Communications, Inc.

Your Money, Your Goals by the Consumer Financial Protection Bureau (CFPB)

Your Money or Your Life by Vicki Robin, Joe Dominguez and Monique Tilford, Penguin Books

Websites

www.handsonbanking.org

www.smartaboutmoney.org

www.spendster.org

www.360financialliteracy.org

www.mint.com