

The Path Toward Home Ownership



Think about each question.

When you answer a question "yes," go on to the next question.

BASIC NEEDS

DO I HAVE MY BASIC NEEDS MET?



Food
Shelter
Medical care
Supports for daily living

Some people think about buying a home when they are homeless and without the basic necessities of life that are listed above. If you do not have adequate food, shelter, medical care and supports for daily living, identify the non-profit organizations or governmental agencies that would be best at helping you meet your basic needs. Call that organization and get your basic needs met.

Are your basic needs likely to change significantly in the foreseeable future?

Buying a home is a long-term commitment so having established, stable support helps ensure that you can live in this home successfully for a long time. If your needs are varying significantly, you want to be certain to have adequate resources and supports. If you have never lived independently, you may want to set up the supports in a rental setting to see how things work out before purchasing a home.

If you have your basic needs met, go on to the next question about readiness.



READINESS

AM I READY FOR HOMEOWNERSHIP?



Do I want to live in one place for many years?

Home ownership offers stability, a place to call your own, and a place to put down roots. However, an investment in a home means much less mobility. When you rent a home, you can choose to move at the end of your lease. As a homeowner, choosing to move is not that simple. Selling your home brings on many costs. If you are a person with a disability who receives certain federal benefits and end up with lots of money in the bank because you sold your home, you risk losing your federal benefits. Some home ownership programs require paying back money you borrowed unless you have been in your home for a period of time.

Move forward with home ownership only if you are ready to live in the same home for years to come.

Do I have experience living in an independent setting?

Potential buyers who have experienced living independently and who have managed a household as a renter generally are in a better position to become successful homeowners. The financial and physical responsibilities of owning your own home can be overwhelming to a new home owner who has lived only as a member of someone else's household.

If you want to live independently before buying a home, ask your support system (family, nonprofit organization, etc.) to assist you in renting an apartment for a while.

Do I understand the cost and maintenance requirements of owning a home?

Ask how well you have been managing financially in your present situation. You must pay for your home for many years to come, and ownership requires you to commit a portion of your budget each month to your house payment. Without this financial discipline, successful ownership of your own home may be difficult. Without it, you may even lose your home to foreclosure (if you have not been making your monthly payment, the bank may have to take away the title to your home and you will have to move out.) Homeowners should have insurance on their unit and belongings. However, at times something may break such as the furnace or refrigerator. You will need to call for repairs or even replace the appliance. Do you have the discipline to keep some savings in case something breaks?

If budgeting is difficult for you, do you have adequate supports to assist you? Are you willing to keep money in the bank so you can make your house payment each month?

If you have demonstrated a strong "yes" in answering these questions, move on to the next question about knowledge.



KNOWLEDGE

DO I HAVE THE KNOWLEDGE I NEED?



Have I been to a homebuyer workshop or had any home ownership counseling?

Workshops and counseling will help you understand the step-by-step process that leads finally to owning a home of your own. There are both advantages and disadvantages of owning a home. Think about the following:

Advantages:

- A place of your own. "Your home is your castle."
- Pride of ownership.
- Security.
- Stability.
- Control of your life and self-determination.
- Sense of community and belonging. You are ready to settle down and be part of your community.
- Freedom to decorate your home as you want, to have pets, and to make other decisions about your home.
- Financial motivations because home ownership is a good investment compared to renting.
- Predictable housing costs. While rent may increase, the mortgage that pays for your home is generally constant when it is financed with a fixed-rate loan.
- Build equity or the money you make on your investment.
- Tax benefits.

Disadvantages:

- Home ownership can be more costly. As an owner, you will be responsible for expenses that may have previously been included with your rent such as property taxes, homeowners' insurance and utilities. At times you can include some of these expenses in your monthly payment.
- As an owner, you will be responsible for all home maintenance and repairs. You do not have to do them yourself, but you will have to arrange to have them done and you will have to pay for them. If you do not maintain your home well, you risk reducing the value of your investment. You must make your house payment every month or risk losing your investment, losing your good credit standing and having to move out of your home due to foreclosure.
- If you have not studied the effect of home ownership on your budget, you may be shocked at the costs and how the house payment affects your finances. You may have less money to spend as you wish.
- If you sell your home at some point in the future, it will generally cost an average of 10 percent of the sales price. This covers recording fees, real estate commissions, taxes, discount points, closing fees, abstract fees, etc.



Do I understand that buying a home can take many months or even years?

Buying a home is never a quick process. Getting ready for home ownership can take months or even years, and even after you have been approved for a loan, a property that will meet your needs may not be available immediately. Be patient, stay in touch with your Realtor and support personnel, and keep looking.

Can I document my income, debt, credit, and assets?

Gathering the necessary documentation of your financial matters can take some time so start now. Each program varies somewhat but in general you will need the following:

- ___ Two most recent pay stubs which include year to date (YTD) from your present employer(s) and /or proof of any other forms of income. Do this for everyone who will reside in your new home.
- ___ W-2s and complete income tax returns for the last three years.
- ___ Names, addresses, account numbers, and balances of all checking and savings accounts.
- ___ Two months' bank statements for ALL ACCOUNTS.
- ___ Drivers license or identification card.
- ___ Social Security card.
- ___ Proof of immigration status if not U.S. Citizen.
- ___ Names, addresses, account numbers, balances and monthly payments on all installment debts, including charge cards, car loans, student loans, child care expenses and child support payments.
- ___ Names and addresses for landlords for the last two years.
- ___ Any of the following that apply: Complete divorce decree. Bankruptcy papers. Consumer Credit Counseling papers. Papers on any pending legal matter.
- ___ Anything else your lender requests.

If you have demonstrated a strong "yes" in answering these questions and understand the commitment you will be making, move on to the question on money.



MONEY



DO I HAVE THE MONEY I NEED?

Do I have my own income?

Lenders want to know how much money you have. These resources have to be in your name or that of your co-applicant. List the income from all sources and the assets that you have and that your co-applicant has.

<u>Income/Assets</u>	<u>Yours</u>	<u>Co-applicants</u>
Earnings from a job	_____	_____
Federal benefits:		
SSI or SSDI	_____	_____
Social Security	_____	_____
Other income	_____	_____
TOTAL INCOME	_____	_____
Checking account(s)	_____	_____
Savings account(s)	_____	_____
Mutual funds, stocks, bonds	_____	_____
Cash value of insurance policy	_____	_____
Cash from Your family	_____	_____
Other assets	_____	_____
TOTAL INCOME AND ASSETS	_____	_____

Do I have good credit?

Good credit is critical for lenders. They need to know that you understand buying something now and paying for it over time AND they need to know that you have successfully demonstrated your experience at doing this. Generally they will want at least two sources of good credit.

Make certain that you pay all your bills including your rent and utilities. If rent and utilities are not in the name of the person wanting to buy a home, change the name on the account. If you have a number of debts, start to pay them off. Meet with a credit counselor if that would help. Ask your support system for help. Paying off large bills may take time but it can be done and has been done by numerous homeowners!

Do I have savings or money from another source?

If you do not have enough resources to purchase a home at this time, explore the options available from local housing authorities, non-profits, employers, and others who may assist you, including your family.



LOAN

AM I READY FOR A LOAN?



Do I have all my documentation in hand?

If you have not done so before this, actually gather all the documentation your lender may need. Lenders do not accept your saying that you just can't find something. Go to the IRS for past records, if necessary. Make copies of everything for your records.

Have I explored all the programs and options available to me?

Governmental units, non-profits, and lenders are always developing new programs. One may meet your needs better than another so ask about every possible option.

Have I been pre-qualified?

Decide on the lender and program you will use. Bring them every piece of documentation they need. Answer all their questions. You must meet all the qualifications of the program. They want you to be successful, so they have established criteria that they insist that all people meet.

If you have demonstrated a strong "yes" in answering these questions, move on to the question on Realtors, developers and choosing a home.



REALTORS & BUILDERS

WHICH HOME IS RIGHT FOR ME?



Do I know how much of a mortgage payment I can afford?

When your lender tells you that you have pre-qualified for a loan, he or she will explain how much of a mortgage payment you can afford. This amount can vary a little bit based on changing interest rates, but you will then know the price range of the homes that you can afford.

Do I know what I need in a home?

Potential homeowners usually have dreams of the home they would love to have. List those dreams in writing. Now you also have to get very practical. What must you have in a home. Must it be accessible, close to public transportation or to your support network? Are you limited to a certain neighborhood? Now list in writing what your home must have or your minimal requirements.

Do I know how to find the home that I want?

Finally, the time has come to begin searching for a home. It is strongly suggested that you call a Realtor to assist you in finding the home you want and can afford. Realtors can be very helpful because they watch listings of houses for sale every day. You will have to pay them a fee for this service, but Realtors know all the requirements of a home purchase transaction and can help tremendously with this process.

Now you can go out and look at homes. You know the price range you can afford. You have listed your dreams and your minimal requirements. Start visiting homes. At times you will find that nothing is available right then so you will have to wait until new listings come onto the market.

Once you find the place you want, you may have to move quickly to submit a bid. Sometimes sellers receive several bids and you want to do everything possible to have them select your bid.

PURCHASE A HOME!

Your Realtor will help sort out the next steps. Often there is some negotiation with the Seller about the price and certain terms. Various inspections of the house may be needed. An independent appraiser will likely determine the value of the home. Research will be done to be sure the title to your property is clear, and the lender and attorney will process a large amount of paperwork.

When everything is complete, closing of escrow will occur, checks will change hands, and you will finally be given keys to your new home. Congratulations, you have successfully negotiated the path toward owning a home of your own!



THE FUTURE

AFTER I BUY A HOME, HOW DO I PLAN FOR LONG-TERM SUCCESS?



Do I have long-term supports?

Home ownership is a long-term commitment. Some people find it is helpful to have supports to answer questions that come up over the years, and to make certain that the homeowner budgets successfully and maintains their home. Family members and support service agencies can assist in this role.

Will I have the benefit of a special needs trust some day or have I worked out other ways to meet unexpected expenses?

At times home ownership can bring unpleasant problems that can cost a lot of money. Since many people receiving federal benefits are limited to cash assets of only \$2,000, a special needs trust set up by family members or another third party can hold money that can be used in an emergency. An alternative is to have families set aside funds for such an emergency with a family member other than the person with a disability.

If you as a homeowner do not have the above restrictions, then you need to budget accordingly to make sure there is money to pay for home repairs and maintenance. You may want to consider setting up a separate bank account to address these eventual needs.

If a homeowner dies without a will, the home becomes part of their estate and will be distributed according to the probate laws of the state. Homeowners may want to write a brief will directing to whom their home will go after their death. If you have purchased your home through a special program, there may be limitations regarding if and how you can will your home to another person.

What should I do to maintain my stability as a homeowner?

You will need to maintain your home in good condition in order to keep its value, and to have the home fit well into the community. You may need to invest in tools, safety equipment and home appliance manuals that you never needed when you were a renter. In addition, you should stay aware of predatory lenders who may offer what appear to be attractive "deals" to re-finance your home. These deals could cause you eventual financial hardship, and possible loss of your home due to foreclosure.

In Closing...

Not everyone is cut out to be a homeowner. If you have answered all the questions and considered all the issues involved in these pages, you should have a sense about whether you are a good candidate to become a homeowner. If you determine that you are ready to pursue homeownership, use all the resources and supports available to you to help make this dream a reality.

Best of luck to those who move forward on The Path Toward Homeownership!

