



Homeowner Benefits and Responsibilities



We make home possible®

Introduction

- Homeowner Benefits and Responsibilities
 - ✓ Benefits of Homeownership
 - ✓ Responsibilities of Homeownership
 - ✓ Refinancing and Home Equity
 - ✓ Preventing Foreclosure
 - ✓ Home Maintenance and Improvements

Benefits of Homeownership

- Shelter
- Security for your family
- A source of pride
- An investment
- Freedom to make improvements, decorate
- Tax benefits

Responsibilities of Homeownership

- Home repairs and maintenance
- New and unexpected expenses
- Yard work and landscaping
- Community commitments

Responsibilities of Homeownership

■ Financial Responsibility

✓ Keep Good Records

- Homeownership comes with a lot of paperwork
- Reasons for good record-keeping
 - Tax benefits
 - Homeowner's insurance policy
 - Warranties
- Keep your paperwork organized

Responsibilities of Homeownership

- Financial Responsibility
 - ✓ Maximize your tax deductions
 - Deduct real estate taxes and interest
 - Deduct mortgage insurance premium*

** Consult a professional tax advisor*

Responsibilities of Homeownership

- Financial Responsibility
 - ✓ Prepay your mortgage
 - Save interest over life of loan
 - Reduce loan term

Responsibilities of Homeownership

- Financial Responsibility
 - ✓ Maintain adequate insurance coverage
 - Cover 100% cost of rebuilding home

Spending and Savings Plan

- Key areas you should account for in the spending and savings plan:
 - ✓ Fixed expenses (costs do not vary each month)
 - ✓ Variable expenses (costs vary each month)
 - ✓ Needs vs. wants

Spending and Savings Plan

- Key areas you should account for in the spending and savings plan:
 - ✓ Monthly income vs. expenses
 - ✓ Savings plan

Spending and Savings Plan

- John and Jane Lee have two young children and they purchased a new home for \$360,000. The Lee's mortgage lender will not penalize them if they prepay. Jane wants to purchase new furniture for the house without using their savings. They also want to begin saving for college.

Spending and Savings Plan

- Along with a monthly mortgage of \$1950, the Lee's have a \$300 car payment. John earns an annual net income of \$60,000, and has diligently built a \$30,000 savings account.

Spending and Savings Plan

- The Lee's have now owned their home for two years. One summer night, a severe storm hits the Lee's home causing \$20,000 worth of damage. However, their homeowner's insurance will only cover \$10,000. Using the spending plan you developed, determine if the Lees can afford to make the necessary repairs to their home.

Refinancing and Home Equity

- Refinancing Your Mortgage
 - ✓ Refinancing allows you to take out a new mortgage to pay off your current mortgage
 - ✓ Understanding the refinancing process
 - Costs
 - Extends repayment term
 - Special financial assistance may need to be repaid
 - Prepayment penalty may occur if original mortgage has the provision

Refinancing and Home Equity

■ Refinancing Your Mortgage

✓ Evaluating Refinance Options

- Some good reasons to consider refinancing:
 - Save money on your interest rate
 - Lower your monthly payment
 - Convert one type of mortgage to another
 - Build equity faster
 - Take cash out

Refinancing and Home Equity

■ Refinancing Your Mortgage

✓ Determine whether to refinance

- Maintain a spending plan and set up an emergency account.
- Stay on top of home repairs and maintenance.
- Get housing counseling from a trusted local nonprofit organization.

Refinancing and Home Equity

- Refinancing Your Mortgage
 - ✓ Find the right lender
 - Start with your current lender.
 - Contact several lenders.
 - Compare similar options.

Refinancing and Home Equity

- Refinancing Your Mortgage
 - ✓ Understand your credit report
 - Credit history influences loan products
 - Stay current with your bills

Refinancing and Home Equity

- Borrowing against your home equity
 - ✓ What is home equity?
 - The difference between what your home is worth (market value) and the total amount you owe on your home (outstanding loan balance)

Refinancing and Home Equity

- Reasons for borrowing against your equity
 - ✓ Making home improvements
 - ✓ Paying for your children's education
 - ✓ Paying for your own education
 - ✓ Consolidating debt
 - ✓ Making investments

Refinancing and Home Equity

- Borrowing against your home equity
 - ✓ Choosing the right home equity loan
 - ✓ Ways to borrow against your equity
 - ✓ Exercise caution

Avoiding Financial Traps

- Common Scams
 - ✓ Targeting unsuspecting consumers
 - ✓ Using high-pressure sales tactics
 - ✓ Focusing on the monthly payment

Avoiding Financial Traps

- Common Scams
 - ✓ Ignoring the borrower's financial condition
 - ✓ Bait-and-switch
 - ✓ Adding unnecessary fees
 - ✓ Encouraging repeated refinancing

Avoiding Financial Traps

- Telephone and internet scams
 - ✓ Never give out personal information to someone you do not know or trust
- Home repair scams
 - ✓ Be decisive when choosing your contractor

Preventing Foreclosure

- What is foreclosure?
 - ✓ Foreclosure is the legal process that allows a lender to take back ownership of the mortgaged property and sell it when a loan is in default.

Preventing Foreclosure

- Common causes of foreclosure
 - ✓ Job loss or income loss
 - ✓ Health crisis
 - ✓ Taxes, utilities, or property insurance problems
 - ✓ Problems with a rental unit
 - ✓ Overspending
 - ✓ High cost auto or consumer loan
 - ✓ Disability
 - ✓ Overspending
 - ✓ Death in family

Preventing Foreclosure

- Tips for avoiding foreclosure
 - ✓ Pay your mortgage on time
 - ✓ Get help if in financial trouble
 - ✓ Talk to your lender if you fall behind in payments
 - ✓ Call a trained housing counselor
 - ✓ Develop a workout plan with your lender

Preventing Foreclosure

- Common loan workout options
 - ✓ Reinstatement
 - ✓ Forbearance
 - ✓ Repayment Plan
 - ✓ Loan Modification

Preventing Foreclosure

- Common loan workout options
 - ✓ Refinancing
 - ✓ Selling your home
 - ✓ Deed-in-Lieu

Home Maintenance and Improvements

- Regular maintenance of your home helps retain its value
 - ✓ Understand your home's systems
 - Heating and cooling system
 - Electrical system
 - Plumbing system
 - ✓ Schedule your home maintenance

Home Maintenance and Improvements

- Planning is critical
 - ✓ Look at the big picture.
 - ✓ Get expert advice.
 - ✓ Plan ahead for maintenance.
 - ✓ Consider your skills and your pocketbook.
 - ✓ Use high-quality building materials.

Home Maintenance and Improvements

- Setting priorities
 - ✓ Critical building maintenance and life-safety repairs.
 - ✓ Mechanical system improvements.
 - ✓ Energy-efficient improvements
 - ✓ General and cosmetic interior improvements
 - ✓ Yard work and landscaping improvements

Home Maintenance and Improvements

- Saving for routine maintenance and repairs
 - ✓ The amount will vary depending on the project.

Home Maintenance and Improvements

- Make home improvements
- Do simple home repairs and maintenance yourself

Home Maintenance and Improvements

- When you hire a contractor, remember the following:
 - ✓ Be specific about the work.
 - ✓ Shop around and check references.
 - ✓ Bid the job competitively.
 - ✓ Sign a contract.

Hiring a Contractor

- When you hire a contractor, remember the following:
 - ✓ Don't pay in advance.
 - ✓ During construction, keep changes to a minimum.
 - ✓ Keep a written record of your projects.
 - ✓ Show good faith.

Home Maintenance and Improvements

■ The Contract

✓ Ideally, the contract should include the following:

- Names and addresses of both parties
- Date the contract is signed
- Scope of work (be specific)
- Total cost of specified work
- Work schedule
- Payment schedule

Conclusion

- Your home is one of your most important investments
- We wish you continued success!