



**COMMON  
WEALTH  
CHARLOTTE**

# Preparing for Homeownership

# TODAY'S AGENDA

- ❑ Define Client Goals for Homeownership
- ❑ Discern Buying vs. Renting
- ❑ Understand Mortgage Types
- ❑ Become familiar with 1<sup>st</sup> Timer and Down Payment Assistance Programs
- ❑ Q & A

# Setting Expectations

- Learn client's personal reasons for buying a home (i.e., more space, no more renting, generational wealth)
- Encourage client to check their credit reports regularly
- Assist clients in being realistic about their financial situation. Perhaps homeownership should be a 2-3 year goal instead of 6 months to become a more credible borrower.
- Documents needed to apply for mortgage (W-2's, paystubs, bank statements, contact info for employer and landlord for last 2 years, other docs as requested)
- Clients should know the cost of owning a home
  - Help them understand debt-to-income ratio requirements:
    - ✓ FHA Loans - 57% max
    - ✓ VA Loans - up to 60% in most cases
    - ✓ USDA Loans - <41%
    - ✓ Conventional - ≤ 50% up to 65%, depending on loan type and personal situation
  - (NOTE: student loan payments, utility costs, health insurance premiums, 401K or IRA contributions should be left out of this calculation)***
  - Client will be financially responsible for ALL home maintenance, landscape, HOA dues (as applicable), homeowners insurance is NOT optional, as is renters insurance in some places.

# Buying vs. Renting

## *Advantages of Homeownership*



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### **BUYING**

- Great tax write-off (mortgage interest, donations, certain other deduction, etc.)
- Mortgage payments may never increase
- Can use, decorate, make physical changes, and customize landscape as you see fit (HOA provisions may apply)
- Can increase your equity as the home appreciates in value, and borrow on your investment
- NOT a temporary living situation

**VS.**

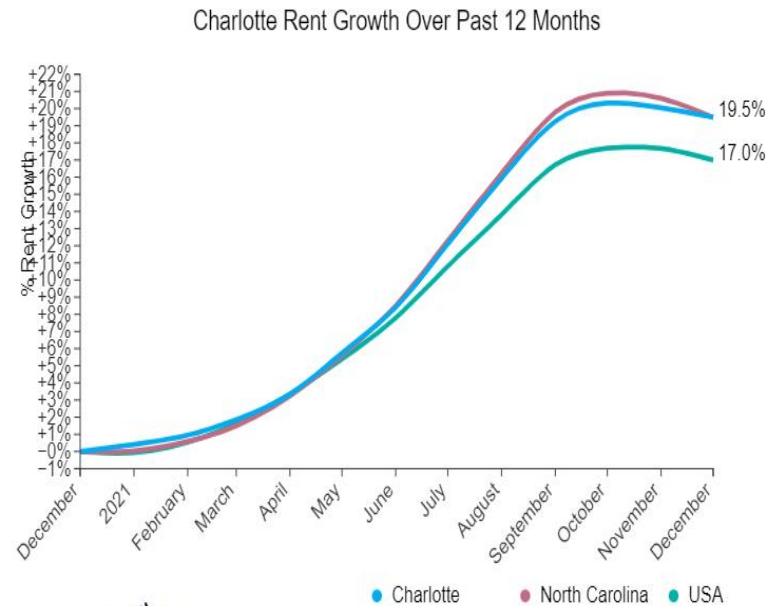
### **RENTING**

- No tax write-offs
- Rent can increase each year, typically 4-10%
- Must get permission from landlord to make any changes to the dwelling
- No equity build up
- For apartment renters, you may be evicted, lose security deposit, and more. For home renters, owners can sell their house with little or no notice.

# According to Apartmentlist.com:

## January 2022 Charlotte Rent Report

Welcome to the January 2022 Charlotte Rent Report. Charlotte rents declined over the past month. In this report, we'll evaluate trends in the Charlotte rental market, including comparisons to cities throughout the state and nation.



Apartment  List

Charlotte rents declined significantly over the past month

Charlotte rents have declined 0.5% over the past month, but have increased sharply by 19.5% in comparison to the same time last year. Currently, median rents in Charlotte stand at \$1,281 for a one-bedroom apartment and \$1,432 for a two-bedroom. This is the second straight month that the city has seen rent decreases after an increase in October. Charlotte's year-over-year rent growth is on par with the state average of 19.5%, but exceeds the national average of 17.0%.

# The REAL Cost of Renting

Below is a chart compiling the amount paid each month in rent to the number of years you rent. This money goes into your landlord's pocket, building their equity - not yours. Buy today to begin reaping tax benefits, building equity and investing in your future!

(Based On A Six Percent Rental Increase Each Year)

	\$500/Month You'll Pay	\$600/Month You'll Pay	\$700/Month You'll Pay	\$800/Month You'll Pay	\$900/Month You'll Pay	\$1000/Month You'll Pay	\$1100/Month You'll Pay
1ST YEAR	6,000	7,200	8,400	9,600	10,800	12,000	13,200
2ND YEAR	6,360	7,632	8,904	10,176	11,448	12,720	13,992
3RD YEAR	6,742	8,090	9,438	10,786	12,135	13,483	14,832
4TH YEAR	7,146	8,575	10,005	11,433	12,863	14,292	15,722
5TH YEAR	7,575	9,090	10,605	12,119	13,635	15,150	16,665
6TH YEAR	8,029	9,635	11,241	12,846	14,453	16,059	17,665
7TH YEAR	8,511	10,213	11,916	13,617	15,320	17,023	18,725
8TH YEAR	9,022	10,826	12,630	14,434	16,239	18,044	19,848
9TH YEAR	9,563	11,476	13,388	15,300	17,213	19,127	21,039
10TH YEAR	10,137	12,164	14,192	16,218	18,245	20,275	22,301
<b>TOTAL</b>	<b>79,085</b>	<b>94,902</b>	<b>110,719</b>	<b>126,529</b>	<b>142,332</b>	<b>158,173</b>	<b>173,989</b>

# Types of Mortgages

- **Conventional Loan** - customarily made by a bank, savings and loan association or other financial institution that is without governmental underwriting
  - Conventional loans can be adjustable rate mortgage (ARM) or fixed rate loans.
- **Fixed Rate** - mortgages with an interest rate that will not change over the life of the loan.
- **Adjustable Rate Mortgage (ARM)** - interest rate that changes periodically based on a selected index that reflects changes in inflation and cost of credit.
  - The interest rate and your payments are adjusted up or down as there are changes in the index.

# Types of Mortgages

- **FHA loan** - insured by the Federal Housing Administration.
  - To qualify for this type of loan, you need:
    - ✓ Two years of steady income
    - ✓ New mortgage must be 30 percent of gross income.
    - ✓ If client has filed for bankruptcy, the discharge must be at least two years old.
    - ✓ If client has gone through foreclosure, it must be four years old.
- **VA loan** - mortgage is guaranteed by the Department of Veterans Affairs.
  - Generally:
    - ✓ Veterans, National Guard, reserve and some surviving spouses can apply for VA loans.
    - ✓ Major requirements are steady income and at least two years of military service
    - ✓ VA loans tend to be fixed rate loans.



# First-Time Homebuyer Loan Programs

**A first-time homebuyer is defined as a buyer who has not owned a home within the last 3 years or more.**

At least 90 percent of buyers (including first-time home buyers) will end up using one of these popular loan programs: FHA, VA or USDA home loans.

Here's a brief overview of each one:

## ▶ **The conventional loan - 3% down payment**

- ▶ 3 conforming mortgage options exist for buyers making a down payment of just 3 percent:
  - ✓ Fannie Mae's HomeReady loan
  - ✓ Freddie Mac's HomePossible loan
  - ✓ The Conventional 97 home loan

HomeReady and HomePossible mortgages offer flexible eligibility guidelines - especially for lower-income home buyers with  $\geq 620$  credit score. They may even offer up to a \$500 rebate to borrowers.

Conventional 97 mortgages may need a credit score of 640 or 660, depending upon the lender requirements.

# First-Time Homebuyer Loan Programs

## ▶ The FHA loan - 3.5% down payment

- ✓ Underwriting flexibility
- ✓ FHA loans allow buyers with credit scores as low as 580 with 3.5 percent down, and 500 with 10 percent down.
- ✓ Low credit scores must not be the result of recent negative credit history.
- ✓ Interest rates are often lower than conventional mortgage rates.

## ▶ The VA loan - 0% down payment

- ✓ Available to veterans and active members of the U.S. military
- ✓ Offers 100 percent

## ▶ The USDA loan - 0% down payment

- ✓ Available in rural areas and low-density suburbs, which usually means a city population of less than 20,000
- ✓ Income cannot exceed 115% of AMI

# Loan Programs Recap

	Minimum Down Payment	Minimum Credit Score	Best For...
Conforming Loan	3%	620	Good credit and/or large down payment
FHA Loan	3.5%	580	Lower credit and small down payment
VA Loan	0%	580-620	Veterans and service members
USDA Loan	0%	640	Home buying in a rural area or small town
Non-Conforming/Jumbo Loan	5-20%	680	Buying high-priced real estate



## The Ten Commandments...When Applying for a Real Estate Loan

- ▶ I. Thou shalt not change jobs, become self-employed or quit your job.
- ▶ II. Thou shalt not buy a car, truck or van (or you may be living in it)!
- ▶ III. Thou shalt not use charge cards excessively or let your accounts fall behind.
- ▶ IV. Thou shalt not spend money you have set aside for closing.
- ▶ V. Thou shalt not omit debts or liabilities from your loan application.
- ▶ VI. Thou shalt not buy furniture.
- ▶ VII. Thou shalt not originate any inquiries into your credit.
- ▶ VIII. Thou shalt not make large deposits without first checking with your loan officer.
- ▶ IX. Thou shalt not change bank accounts.
- ▶ X. Thou shalt not co-sign a loan for anyone.

# Down Payment Assistance Programs

- ❖ NC Housing Finance Agency - <https://www.nchfa.com/home-buyers/buy-home>

NC Home Advantage Mortgage

NC 1<sup>st</sup> Home Advantage Down Payment Assistance

**(NOTE: Repayment is required if home is sold, refinanced, or transferred before year 15)**

- ❖ Charlotte Metro CU <https://cmcu.org/personal/loans-credit/home-loans/welcomehome/>
- ❖ USDA - <https://usdaloans.net/usda-home-loan-guidelines/>

## Other Lender Programs (through affiliates of CWC)

- ❖ Home Trust Bank (Homeownership Now Program) - <https://htb.com/mortgage/purchasing-a-home/homeownership-now/>

➤ Can be paired with:

- ✓ FHL Bank Atlanta (First Time Homebuyer Product) - provides up to \$7,500 in funds for the down payments and closing costs of first-time homebuyers.
  - ✓ NC Housing Finance Agency
- ❖ Regions Bank Affordable 100 Program
    - 0% down, 640 credit score
    - 620 credit score requires 3% down payment
    - \$5,000 grant



# Thank you!



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uncommon financial solutions for low income families