

THE AMERICAN DREAM HOME OWNERSHIP

Home Ownership Education

Workbook

Presented by Cambridge Home Capital, LLC



THE DREAM OF HOME OWNERSHIP

- # 70+ PERCENT OF AMERICAN FAMILIES
- # \$2,000,000,000,000. LENT THIS YEAR
- # PEACE OF MIND
- # SENSE OF PRIDE
- # IT'S YOUR TURN!!!

**CAMBRIDGE HOME CAPITAL
WILL HELP!**



The Pride of Ownership

CONTROL YOUR DESTINY

- RENT INCREASES
- YOUR NEIGHBORHOOD

GREAT INVESTMENT

- THE VALUE INCREASES
- TAX BENEFITS

CHANGE YOUR LIFE

- NEW FRIENDS
- NEW RESPONSIBILITIES
 - ELECTRICITY
 - GAS
 - TRASH
 - UP-KEEP
 - TAXES & INSURANCE



The Pride of Ownership

“My New Financial Responsibilities”

Loan Payment (P & I)	\$	
PMI	\$	
School Tax	\$	
County and/or City Tax	\$	
Hazard Insurance	\$	
Gas	\$	
Electric	\$	
Oil	\$	
Water	\$	
Trash	\$	
Cable	\$	
Phone	\$	
Lawn Care	\$	
Maintenance	\$	
Credit Payments	\$	
TOTAL ON-GOING	\$	



The Pride of Ownership

“My Credit Responsibilities”

Creditor Monthly Payment

- Car payment \$ _____
- All other installment loan payments \$ _____
- Avg. monthly credit card payment(s) \$ _____
- Student loan payments \$ _____
- Medical/health care payment \$ _____
- Alimony/child support payment \$ _____
- Other monthly payments \$ _____
- Total monthly debt \$ _____



“My Credit Responsibilities”

Creditor	Monthly Payment
Car payment	\$
All other installment loan payments	\$
Average monthly credit card payment(s)	\$
Student loan payments	\$
Medical/health care payment	\$
Alimony/child support payment	\$
Other monthly payments	\$
Total monthly debt	\$



QUALIFYING FOR THE LOAN

“Can I afford this home?”

QUALIFYING RATIOS

- **Housing Ratio =**

- **Monthly Housing Expense ÷ Monthly Income**

- **Total Debt Ratio =**

- **Monthly Total Expense ÷ Monthly Income**

Housing Ratio = 28%

Total Debt Ratio = 36%



QUALIFYING FOR THE LOAN

MY TOTAL DEBT RATIO

- Mortgage Principal & Interest**
 - + Monthly Property Tax**
 - + Monthly Home Owners' Insurance**
 - + Monthly Private Mortgage Insurance***
 - + Monthly Condo, Coop, or Associations Dues***
 - + Monthly Credit Card and Installment Payments**
- My Total Monthly Expenses**

Total Monthly Expense ÷ Monthly Income = Total Debt Ratio

***Only if applicable**



QUALIFYING FOR THE LOAN

TOTAL DEBT RATIO CALCULATION

- Mr. Trump is concerned, can he afford it?

Monthly Housing Expense + Monthly Credit Card and Installment Payments ÷ Monthly Income = TOTAL Ratio

Scenario

Mr. Trump is applying to refinance his single family home.

His proposed monthly principal and interest payment will be \$1,024. The monthly home owner's insurance policy is \$50, and he pays \$400 a month in property taxes. In addition, he pays \$580 a month for his credit payments.

If his income is \$4,000/mo., what is his 'Back End' ratio?

ITEM	FIGURE
P & I	\$
TAX	\$
INSURANCE	\$
PMI	\$
DUES	\$
HOUSING EXPENSES	\$
CREDIT PAYMENTS	\$
TOTAL EXPENSES	\$
INCOME	\$
BACK END RATIO	%



IN YOUR NEW HOME

“Any tips once I’m in my home?”

- # MAKE AND FOLLOW A BUDGET**
- # DO REGULAR MAINTENANCE**
- # PROTECT YOUR INVESTMENT**



IN YOUR NEW HOME

“How do I make a new budget”

Step 1: Monthly Income

Salary/wages: \$ _____		Interest/Dividends: \$ _____	
Social Security: \$ _____		Other Income: \$ _____	
Total Monthly Income \$ _____			



IN YOUR NEW HOME

“How do I make a new budget”

Step 2: Monthly Expenses - Housing

Mortgage Pmt: \$ _____

Water/Trash: \$ _____

Heat/Electricity: \$ _____

Telephone: \$ _____

Property Tax: \$ _____

Cable: \$ _____

Home Up-keep: \$ _____

Miscellaneous: \$ _____

Monthly Housing Expenses \$ _____



IN YOUR NEW HOME

“How do I make a new budget”

Step 3: Monthly Expenses – Insurance and Food

Auto Insurance: \$ _____

Home Insurance: \$ _____

Life Insurance: \$ _____

**Health Insurance:
\$ _____**

Supermarket: \$ _____

Restaurant: \$ _____

**Miscellaneous Ins:
\$ _____**

**Miscellaneous Food:
\$ _____**

Monthly Insurance and Food Expenses \$ _____



IN YOUR NEW HOME

“How do I make a new budget”

Step 4: Monthly Expenses – Other

To savings: \$_____	Clothing: \$_____
Debt (credit) payments: \$_____	Transportation: \$_____
Child Care: \$_____	Recreation/Vacation: \$_____
Gifts: \$_____	Education: \$_____
Medical/Dental: \$_____	Newspapers/Magazines: \$_____
Videos/CD's/Tapes: \$_____	Personal Services: \$_____
Alcohol/Tobacco: \$_____	Children's Expenses: \$_____
Charity/Church/Giving: \$_____	Miscellaneous Ins: \$_____
Monthly Other Expenses \$_____	



IN YOUR NEW HOME

“What UP-KEEP will I have?”

Interior

- Walls, Floors (carpets, etc.), Ceiling
- Basement
- Attic
- Plumbing
- Electrical

Exterior

- Landscaping
- Siding
- Roofing



IN YOUR NEW HOME

“Protect your investment!”

PROTECT YOUR INVESTMENT – YOUR RESPONSIBILITIES

Unable to make the payment?

• **CONTACT YOUR LENDER IMMEDIATELY**

- Contact a credit-counseling agency in your area
- Cut back on expenses, work overtime, or get a second part-time job
- Borrow money from a relative
- Borrow against a profit sharing plan or life insurance policy

DO NOT immediately

Take cash advances on your credit cards



IN YOUR NEW HOME

“Protect your investment!”

Contact your lender!

1. Get the name of the person
2. Explain why you are late
3. Follow up with a letter. Include in your letter:
 - o Your name
 - o Your loan number
 - o Your property address
 - o Your daytime and evening phone numbers
 - o A brief explanation





IN YOUR NEW HOME

“Protect your investment!”

“What is foreclosure?”

Your most important financial obligation as a homeowner is to pay your mortgage each month. If you get behind, your lender will have the right to foreclose on the loan. In a foreclosure, your home will be taken away from you and your lender will take ownership of your home. A foreclosure typically involves the following steps:

- You are forced to move out of the house
- The house is sold at auction
- You lose any money you invested in the property
- Your credit rating will be negatively impacted for several years
- Legal fees and late fees will be added to what you owe the bank
- In some states, if the house does not sell for an amount sufficient to pay your debt, the lender will file for a judgment against you for the remaining balance

THE FUTURE

- # YOUR HOME VALUE GROWS
- # YOU CAN REFINANCE AND GET CASH
- # AS YOUR FAMILY GOES
- # FUNDING FOR COLLEGE
- # RETIREMENT PLANNING
- # **HAVE A GREAT LIFE!!!**



THE AMERICAN DREAM HOME OWNERSHIP

Final Review

The Pride of Ownership

- Taxes, Lawn Care and Up-keep are 'New Financial Responsibilities'. T / F

Buying A Home

- "I will sign a SALES CONTRACT to buy a home." T / F

Financing The Home

- The Down Payment and Closing Costs are just PART of the up-front costs. T / F
- The seller may pay my closing costs. T / F
- I must demonstrate my ability and willingness to pay to be approved. T / F

Qualifying For The Home

- My TOTAL DEBT RATIO should be 41% of my total income. T / F
- Retirement account funds may be accepted as part of the funds needed by the bank. T/F

The Home Loan Forms

- I have several other documents to sign in addition to the application. T / F



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Final Review, Page 2

Getting A Good Deal

- The bank orders a Termite Inspection to determine the value of the home. T / F
- Title Insurance protects the bank and me against claims on the property. T / F

Closing The Loan

- I know I'm approved when I receive a COMMITMENT LETTER. T / F

In Your New Home

- A budget is a 'must have' tool for home owners. T / F
- I have to plan ahead for unexpected damage to the in- or outside of the home. T / F
- If I am having financial trouble I should take cash advances. T / F
- When I see I'm in trouble I should contact my lender immediately. T / F
- Foreclosure may result in my home being taken away by the bank. T / F

The Future

- The value of my home can grow in the future. T / F
- I can refinance and get money from the 'equity in my home'. T/F



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Thank You

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