

# Trainer's Toolbox

A MANUAL FOR HOMEBUYERS | 4TH EDITION

## Realizing the *American Dream*

### **1st Edition**

Kevin McQueen, Deborah Schneider and Alison Thresher

### **2nd Edition**

Laurie Maggiano

### **3rd Edition**

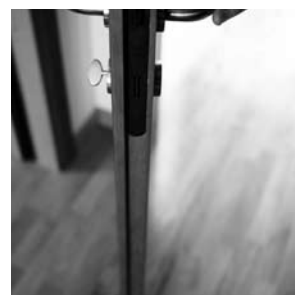
Christi Baker

### **4th Edition**

Doris Barrell

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## ***Contents***

---

<b>Planning and Preparation .....</b>	<b>1</b>
Homebuyer Education Program Planning .....	2
Sample Homebuyer Education Program Course Agendas .....	4
Workshop Materials Checklist .....	17
Activity: The Parking Lot.....	18
Certificate .....	19
Evaluation.....	20
 <b>1: Are You Ready to Buy a Home? .....</b>	<b>23</b>
Icebreaker Activity: Dots on Wall .....	24
Activity: Steps in the Homebuying Process Puzzle.....	26
Credit Report and Credit Score Order Form.....	30
Worksheet: Housing Affordability.....	31
Worksheet: Total Monthly Debt .....	32
Worksheet: Prequalifying .....	33
Sample Interest Factor Table.....	34

---

<b>2: Managing Your Money</b> .....	37
Activity: Money Management Opinions .....	38
Case Study: Trimming Expenses – Meet Jessica .....	41
Worksheet: Monthly Income .....	45
Worksheet: Monthly Expenses .....	46
Worksheet: Monthly Discretionary Income .....	47
Worksheet: Setting Goals .....	48
Monthly Spending Plan .....	49
Monthly Spending Plan 2 .....	52
Worksheet: Debt Payment .....	55
Worksheet: Money Control .....	56
Worksheet: Down Payment Savings Accumulator .....	57
Managing Your Money Self-Test Answer Key .....	58
 <b>3: Understanding Credit</b> .....	 61
Activity: Credit Crossword Puzzle .....	62
Activity: TransUnion Credit Report Quiz .....	65
Sample Credit Report from TransUnion .....	67
Credit Report and Credit Score Order Form .....	71
Activity: Credit Problems and Solutions Matching Exercise .....	72
Activity: Federal Laws Matching Exercise .....	75
Prospective Credit Counselors’ Profiles .....	78
Worksheet: Nontraditional Credit .....	79
Worksheet: Are You in a Credit Crunch? .....	80
Worksheet: Power-Pay .....	81
Credit Rebuilding Letters .....	82
Understanding Credit Self-Test Answer Key .....	104

---

<b>4: Obtaining a Mortgage Loan</b>	109
Activity: Mortgage Terminology Matching Exercise	111
Activity: Steps in Obtaining a Mortgage Loan Puzzle	112
Sticky Paper Activity: How Lenders Decide to Lend Money	115
Case Study: Determining Affordability	117
Sample Interest Factor Table	120
Worksheet: Calculating Your Gross Monthly Income	121
Worksheet: Total Monthly Debt	122
Worksheet: Prequalifying	123
Monthly Mortgage Loan Principal and Interest Payments	124
Sample Amortization Schedule	125
Worksheet: Mortgage Loan Comparison	126
Loan Documentation Checklist	127
Getting a Mortgage Loan Self-Test Answer Key	128
 <b>5: Shopping for a Home</b>	 131
Activity: Steps in the Homebuying Process Puzzle	132
Activity: Key Players in the Homebuying Process	136
Activity: Neighborhood Values Auction Activity	138
Activity: The Bean Game	140
Prospective Agents' Profiles	143
Neighborhood Checklist	144
Worksheet: Homebuyer's Wish List	145
House-Hunting Checklist	146
How to Look at Houses	147
Homeowners Insurance Consumer Quote Guide	148
Shopping for a Home Self-Test Answer Key	149

---

<b>6: Protecting Your Investment .....</b>	<b>153</b>
Activity: Repair or Improvement? .....	154
Activity: My Ideal Neighborhood .....	157
Activity: “Jeopardy” .....	159
Home Maintenance Checklist .....	164
Refinancing Estimator .....	165
Protecting Your Investment Self-Test Answer Key .....	166

# Planning and *Preparation*







# Planning and Preparation

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## CONTENTS

Homebuyer Education Program Planning.....	2
Sample Homebuyer Education Program Course Agendas.....	4
Workshop Materials Checklist.....	17
Activity: The Parking Lot.....	18
Certificate.....	19
Evaluation.....	20



## *Homebuyer Education Program Planning*

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### **PARTICIPANTS**

What will be the criteria for participation?

How many participants can we handle?

Will babysitting services be needed?

What languages are needed?

Are there other special needs?

### **STAFF**

Who will staff the workshop? Why?

What will their roles be?

Will there be guest presenters?

### **METHODS**

How will we enable full participation in the workshop?

Is there sufficient variety in our methods to keep people interested and active?

Is there a balance of content and practical application?

What incentives will be provided for attending?

### **TIME**

How often will the workshops be offered?

How long will each session be?

How many sessions will be required to graduate?

What time and on which days will the workshops be offered?

### **PLACE**

Is the venue easy to reach for most of the target market?

Does the site have access to public transportation?

Are there sufficient accommodations and space?

Is the location accessible for people with disabilities?

How much will the accommodation cost, and how will the costs be met?

How far in advance do we have to book?

Is it permissible to have refreshments and collect money in the training room?

Which room setup would be most effective?

Will childcare facilities be provided?

Are there enough restrooms and public phones?

Is the physical environment conducive to learning?

### **ADMINISTRATION**

How many participants do we want to serve in a year?

How will the program be marketed?

What is the cost of running the program?

How will the program be funded?

Will fees be charged to participants?

### **MATERIALS**

What materials will be needed? Who is responsible for them?

What equipment will be needed?

Will refreshments be provided?

How far in advance should these items be pulled together?

### **EVALUATION AND FOLLOW-UP**

What questions or feedback should be included on the evaluation form?

At what stages of the workshop should we have evaluation?

Will the evaluation be written, verbal or both?

How will we use the information gathered on the evaluation form?

# ***Sample Homebuyer Education Program***

## ***Course Agendas***

(10 hours total)

### **SESSION 1– ORIENTATION: ARE YOU READY TO BUY A HOME?**

(2 hours)

#### **Opening Session**

- Welcome
- Icebreaker activity: Dots on the wall
- Self-introductions
- Objectives, agenda, ground rules and parking lot

#### **Overview of Organization's Programs and Services**

#### **Is Owning a Home Right for You?**

- Group Brainstorm: What are the pros and cons of owning a home?
- Lecturette: The advantages and disadvantages of homeownership
- Worksheet: Pros and cons of owning a home

#### **How Do You Buy a Home?**

- Activity: Steps in the homebuying process puzzle
- Lecturette: Steps in the homebuying process
- Lecturette: Your homebuying team

#### **The Mortgage Payment and Other Costs of Homeownership**

- Lecturette: What is a mortgage?
- Lecturette: What does a house payment include?
- Lecturette: What other costs should you expect?

### **How Much Can You Pay for a House?**

- Group Brainstorm: If someone wanted to borrow \$10,000 from you, what would you want to know about that person?
- Lecturette: The 4 C's of credit
- Homework: Order credit reports and scores
- Lecturette: How much can you afford?
- Worksheet: Housing affordability

### **Ratios**

- Lecturette: Housing and debt-to-income ratios
- Lecturette: Prequalification
- Worksheets: Total monthly debt and prequalifying

### **Are You Ready to Buy a Home?**

- Lecturette: Summary
- Self-Test: Are you ready to buy a home?

### **Closing Session**

- Next steps
- Questions and answers

## **Session 2: Managing Your Money**

(2 hours)

### **Opening Session**

- Welcome
- Icebreaker
- Self-introductions
- Objectives, agenda, ground rules and parking lot

### **Getting Started with Making a Plan for Your Money**

- Group Brainstorm: Why do you need a spending plan?
- Lecturette: Why do you need a spending plan?
- Activity: Money management opinion
- Lecturette: How do you use money?

### **Planning How to Spend Your Money**

- Lecturette: The steps in establishing a spending plan
- Worksheets: Monthly income, expenses and discretionary income
- Lecturette: Keeping track of your spending
- Homework: Track all expenses for one week

### **Developing a Spending Plan to Meet Your Goals**

- Lecturette: Setting family goals
- Worksheet: Setting goals
- Activity: Case study trimming expenses
- Lecturette: Meeting your goals by trimming expenses

### **Making Your Spending Plan**

- Lecturette: Money management tips
- Worksheet: Monthly spending plan
- Lecturette: Reviewing the plan
- Group Brainstorm: What are some ways to make money management easier?
- Lecturette: Ways to make money management easier
- Lecturette: Controlling your day-to-day spending

### **The Importance of Saving**

- Lecturette: The importance of saving
- Lecturette: Types of savings accounts
- Lecturette: Tips for savers
- Lecturette: Thinking and saving like a homeowner

### **Getting Help**

- Lecturette: Where to get help

### **Closing Session**

- Summary
- Self-Test
- Questions and answers

### **SESSION 3: UNDERSTANDING CREDIT**

(2 hours)

#### **Opening Session**

- Welcome
- Icebreaker: Credit Crossword Puzzle
- Objectives, agenda, ground rules and parking lot

#### **How is Your Credit Rating?**

- Group Brainstorm: Why is good credit important?
- Lecturette: Why is good credit important?

#### **Credit Reporting Agencies and Credit Reports**

- Lecturette: What is a credit reporting agency?
- Lecturette: Types of credit reports
- Homework: Order credit reports and scores
- Lecturette: Reviewing your credit report
- Activity: Credit report quiz

#### **What is a Credit Score?**

- Lecturette: What does a credit score consider?
- Lecturette: Tips for improving your credit score

#### **Improving Your Credit Record**

- Activity: Credit problems and solutions matching exercise
- Lecturette: Correcting errors and omissions
- Lecturette: Common credit problems
- Lecturette: Solving credit problems
- Lecturette: Credit counseling
- Lecturette: Other help
- Lecturette: Be careful of quick credit fixes

#### **What if You Don't Have a Credit History?**

- Lecturette: Nontraditional credit
- Worksheet: Nontraditional credit
- Lecturette: Establishing credit



### **Managing Your Debts so They Don't Manage You**

- Lecturette: Steering clear of the credit card trap
- Worksheet: Are you in a credit crunch?
- Lecturette: Getting out of a credit crunch
- Lecturette: Power-paying bills to get out of debt
- Worksheet: Power-Pay
- Lecturette: Opt out to avoid debt

### **Identity Theft: When Bad Things Happen to Your Good Name**

- Lecturette: How does identity theft happen?
- Group Brainstorm: What are ways to reduce your risk?
- Lecturette: Ways to reduce your risk
- Lecturette: If you are a victim

### **Know Your Rights**

- Activity: Federal laws matching activity
- Lecturette: Equal Credit Opportunity Act
- Lecturette: Truth in Lending Act
- Lecturette: Fair Credit Billing Act
- Lecturette: Fair Credit Reporting Act
- Lecturette: Fair Debt Collection Practices Act

### **Closing Session**

- Summary
- Self-Test
- Questions and answers

## **SESSION 4: OBTAINING A MORTGAGE LOAN**

(2 hours)

### **Opening Session**

- Welcome
- Icebreaker matching activity: Mortgage terminology
- Objectives, agenda, ground rules and parking lot

### **Mortgage Loan Basics**

- Lecturette: What is a mortgage?
- Lecturette: What does a house payment include?
- Activity: Steps in getting a mortgage loan puzzle
- Lecturette: Steps in getting a mortgage loan

### **Who Can Get a Mortgage Loan?**

- Activity: Sticky paper technique on how lenders decide to lend money
- Lecturette: The 4 C's of credit
- Worksheets: Gross monthly income and rate your 4 C's

### **Affordability and You**

- Lecturette: Housing ratio
- Lecturette: Debt-to-income ratio
- Lecturette: Using a factor table

### **How Much Will a Lender Lend to You?**

- Lecturette: Getting prequalified by a lender
- Lecturette: Getting pre-approved by a lender
- Activity: Determining affordability case study
- Worksheets: Total monthly debt and prequalifying

### **Shopping for the Right Lender and Loan Product**

- Lecturette: Who makes mortgage loans?
- Lecturette: Different loan categories
- Lecturette: Different types of loans

### **Strategies for Finding the Right Lender and Loan Product**

- Lecturette: Key mortgage terminology
- Lecturette: Shopping for a mortgage loan
- Lecturette: Comparing loans and programs
- Homework: Find the best rate in your area
- Lecturette: Making your decision
- Worksheet: Mortgage loan comparison

### **Working with a Lender**

- Lecturette: Gathering your records
- Worksheet: Loan document checklist
- Homework: Begin mortgage loan file
- Lecturette: Applying for the loan

### **Steps the Lender Takes to Approve Your Loan**

- Lecturette: Processing
- Lecturette: Underwriting
- Lecturette: Approval and rejection
- Lecturette: Standard loan conditions
- Lecturette: Closing the loan

### **Your Rights as a Loan Customer**

- Lecturette: Equal Credit Opportunity Act and Fair Housing Act

### **Closing Session**

- Summary
- Self-Test
- Questions and answers

## **SESSION 5: SHOPPING FOR A HOME**

(2 hours)

### **Opening Session**

- Welcome
- Icebreaker: Steps in the homebuying process puzzle
- Objectives, agenda, ground rules and parking lot

### **Timeline and Steps in the Homebuying Process**

- Lecturette: Length of time needed to buy a home
- Lecturette: Steps in the homebuying process

### **Your Homebuying Team**

- Lecturette: The housing counselor
- Lecturette: The real estate professional
- Worksheet: Prospective agent profile
- Lecturette: The lender
- Lecturette: The attorney
- Lecturette: The escrow officer
- Lecturette: The title insurance officer
- Lecturette: The home inspector
- Lecturette: The appraiser
- Lecturette: The surveyor
- Lecturette: The insurance agent
- Activity: Key players in the homebuying process

### **Finding the Right Neighborhood**

- Lecturette: Setting your own neighborhood standards
- Activity: Neighborhood values auction
- Worksheet: Neighborhood checklist

### **Types of Homes and Types of Ownership**

- Lecturette: Different types of homes
- Lecturette: Different ways to own a home

### **Finding Your Dream House**

- Activity: The bean game
- Lecturette: What do you want in a house?
- Worksheet: Homebuyer's wish list

### **House Hunting**

- Lecturette: Exploring on your own
- Lecturette: Narrowing the search
- Worksheet: House-hunting checklist
- Lecturette: Evaluating your dream home

### **Buying Your Home**

- Lecturette: What are you willing to pay?

### **Purchase and Sale**

- Lecturette: The offer
- Lecturette: Contingencies
- Lecturette: Negotiating

### **Escrow**

- Lecturette: Loan application, appraisal, survey
- Lecturette: Inspections
- Lecturette: Insurance
- Lecturette: Purchasing homeowners insurance
- Worksheet: Homeowners insurance consumer quote guide

### **Closing**

- Lecturette: Preparing for closing
- Lecturette: Closing documents
- Lecturette: Closing costs

### **Closing Session**

- Summary
- Self-Test
- Questions and answers

## **SESSION 6: PROTECTING YOUR INVESTMENT**

(2 hours)

### **Opening Session**

- Welcome
- Icebreaker
- Objectives, agenda, ground rules and parking lot

### **Protecting Your Investment**

- Group Brainstorm: Why do you need to protect your home?
- Lecturette: Why you need to protect your home

### **Getting to Know Your Home**

- Lecturette: Getting to know your home
- Lecturette: Questions for the seller

### **Home Safety**

- Group Brainstorm: What are some safety suggestions?
- Lecturette: Safety suggestions
- Lecturette: Home security

### **Saving Energy and Money**

- Lecturette: Energy saving tips for your family
- Lecturette: Energy saving tips for your house

### **Preventive Maintenance**

- Lecturette: General replacement costs
- Worksheet: Home maintenance checklist
- Lecturette: How long do things last?
- Lecturette: Do-it-yourself repairs
- Lecturette: Diagnosing and solving the most common problems

### **Remodeling and Major Repairs**

- Activity: Repair or improve?
- Lecturette: Adding value with improvements
- Lecturette: Planning your project
- Lecturette: Working with contractors

### **Investing in Your Neighborhood**

- Lecturette: Knowing your community
- Lecturette: Being a good neighbor
- Lecturette: Showing pride of ownership
- Activity: My ideal neighborhood

### **Asset Building**

- Lecturette: Managing your money for homeownership
- Lecturette: Developing a savings plan
- Lecturette: Remember the credit trap

### **Keeping Records**

- Lecturette: Recordkeeping

### **Taxes and Insurance**

- Lecturette: Federal income tax
- Lecturette: What you can deduct from your taxes
- Lecturette: Capital gains tax
- Lecturette: Homeowners insurance
- Lecturette: Mortgage insurance
- Lecturette: Escrow adjustments
- Lecturette: Life insurance

### **Protecting Your Equity**

- Lecturette: What is home equity?
- Lecturette: How can you use equity without selling your home?
- Lecturette: Watch out for predatory lending
- Video: Predatory lending news

### **Prepaying Your Mortgage**

- Lecturette: Prepayment

### **Coping with Hardship**

- Lecturette: Meeting your financial responsibilities
- Lecturette: What is foreclosure?
- Lecturette: Communicate with your lender
- Lecturette: Preventing foreclosure
- Lecturette: Loan workouts
- Lecturette: Moving on
- Lecturette: Delinquency counseling

### **Closing Session**

- Summary
- Self-Test
- Questions and answers
- Activity: Jeopardy
- Graduation
- Final remarks
- Course evaluations





## Workshop Materials Checklist

Topic: \_\_\_\_\_

Location: \_\_\_\_\_ Date: \_\_\_\_\_

### Materials:

- ☐ Water-soluble markers
- ☐ Dry-erase markers
- ☐ Flipcharts
- ☐ Overhead transparencies
- ☐ Masking tape
- ☐ Scissors
- ☐ Index cards
- ☐ Pens or pencils
- ☐ Notepads
- ☐ Name tags
- ☐ Raffle tickets
- ☐ Door prizes
- ☐ Removable dots
- ☐ Post-Its
- ☐ Clock
- ☐ Calculators
- ☐ Sign-in sheet
- ☐ Colored paper
- ☐ Refreshments

- ☐ Activities directions
- ☐ Course manuals
- ☐ Videos
- ☐ Handouts
- ☐ Certificates
- ☐ Evaluation forms
- ☐ Other

### Equipment:

- ☐ Overhead projector
- ☐ VCR and monitor
- ☐ Screen
- ☐ LCD projector
- ☐ Laptop computer
- ☐ Dry-erase board
- ☐ Easels
- ☐ Other

## ***Activity: The Parking Lot***

### **OVERVIEW**

The parking lot is a great way for instructors to manage questions that don't pertain to the topic under discussion, when the number of questions becomes a timing issue or when participants would prefer to have a question answered individually rather than in front of the entire group.

### **MATERIALS**

- Markers
- Flipchart paper
- Post-It notes
- Masking tape

### **SETUP**

- Before the workshop begins, distribute Post-Its so that they are easily accessible to all participants.
- Write the words "Parking Lot" on two separate sheets of flipchart paper. Draw pictures and use color to make the posters interesting.
- Tape the parking lot posters on the walls, in areas that are easily accessible to all participants.

### **ACTIVITY**

- When you are covering "housekeeping" issues at the beginning of the class, point out the location of each parking lot poster.
- Explain how the posters will be used to manage questions effectively.
- Instruct participants to write their questions on Post-Its when:
  - Their questions do not pertain to the topic under discussion
  - There isn't time to answer all questions
  - They would prefer to have a question answered individually rather than in front of the group
- Instruct participants to post their questions on the parking lot posters during breaks.
- Remove the Post-Its with questions from the parking lot posters at various intervals during the workshop. Read questions aloud and answer them quickly and efficiently. If you do not have a quick answer, promise a quick response to the person who asked the question.
- Answer the questions from people who requested individual answers during breaks or after the workshop ends.

# Certificate of Training

This is to certify

*Participant's Name*

has successfully completed

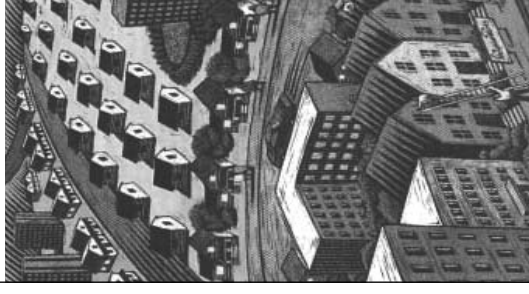
## Realizing *the* American Dream

A \_\_\_\_ -Hour Course in Homebuyer Education conducted by

*Organization*

*Expiration Date*  
(12 months)

*Certified Training Instructor*





## Homebuyer Education Program Evaluation

For Staff Use Only: Location: \_\_\_\_\_ Date: \_\_\_\_\_ ID #: \_\_\_\_\_

**Please help us understand how well we did today. We value your comments.**

1. Are you now more confident that you can buy a house?  
☐ Very Confident    ☐ Modestly Confident    ☐ Not Very Confident    ☐ Not at All Confident
2. How would you rate this training overall?  
☐ Excellent    ☐ Good    ☐ Fair    ☐ Poor
3. How did it compare to what you were told you would learn? Did you learn . . .  
☐ More than you expected    ☐ About what you expected    ☐ Less than you expected
4. How effective was (were) the instructor(s)?  
☐ Excellent    ☐ Good    ☐ Fair    ☐ Poor
5. How engaging or exciting was this course?  
☐ Very engaging    ☐ Somewhat engaging    ☐ Not very engaging    ☐ Not at all engaging
6. How would you rate the materials and handouts?  
☐ Excellent    ☐ Good    ☐ Fair    ☐ Poor

**How well did this course help you understand the following:**

7. Terms related to housing, such as escrow accounts, title insurance and loan points  
☐ Excellent    ☐ Good    ☐ Fair    ☐ Poor
8. What it takes to qualify for a loan  
☐ Excellent    ☐ Good    ☐ Fair    ☐ Poor
9. The steps involved in purchasing a home  
☐ Excellent    ☐ Good    ☐ Fair    ☐ Poor
10. The financial requirements of purchasing a home and paying off a mortgage  
☐ Excellent    ☐ Good    ☐ Fair    ☐ Poor
11. The responsibilities involved in owning your own home  
☐ Excellent    ☐ Good    ☐ Fair    ☐ Poor

**How did you find out about this counseling program?**

- ☐ Radio    ☐ TV    ☐ Print media    ☐ Billboards or signs    ☐ Referral from friends  
☐ Referral from lender (bank or mortgage company)    ☐ Referral from city or county government office

**Additional Comments:** \_\_\_\_\_

\_\_\_\_\_

# Are You Ready *to Buy a Home?*







# ***1: Are You Ready to Buy a Home?***

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## **CONTENTS**

Icebreaker Activity: Dots on Wall.....	24
Activity: Steps in the Homebuying Process Puzzle .....	26
Credit Report and Credit Score Order Form .....	30
Worksheet: Housing Affordability .....	31
Worksheet: Total Monthly Debt.....	32
Worksheet: Prequalifying .....	33
Sample Interest Factor Table .....	34



## *Icebreaker Activity: Dots on the Wall*

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### **OVERVIEW**

Participants answer a series of questions about themselves by placing dots next to applicable answers on flipcharts, with questions posted around the room. The objective is to assess where participants are in the homebuying process and what they would like to get out of the class.

### **TIME**

5-10 minutes

### **MATERIALS**

- Flipcharts with questions and answers
- Masking tape
- Strips of removable colored dots

### **SETUP**

- Write each question with a set of possible answers on a separate flipchart (samples appear on the next page).
- Tape the flipcharts around the room.
- Cut sheets of removable dots into strips and place the strips into one envelope.

### **ACTIVITY**

- As participants walk into the room, hand each one a strip of removable colored dots. Explain that they will be used in the opening exercise and that the exercise will be explained later.
- After all participants are in the room, tell them that there are questions posted on the flipchart that they are to answer by walking around and posting their dots next to the appropriate answers.
- Conduct the activity.

### **DEBRIEFING**

Summarize their answers



## Flipcharts Posted on Wall

### **Why Do You Want to Buy a Home?**

- Equity
- Tax benefits
- Control over environment
- Safe place to raise a family
- Not sure

### **Where Are You in the Homebuying Process?**

- Just started thinking about it
- Have been prequalified or pre-approved by a lender
- Am working with a real estate professional
- Have a signed purchase agreement
- Am near closing

### **Where Do You Live Now?**

Local map

### **Where Do You Want to Buy a Home?**

Local map

### **In What Topic are You Most Interested?**

- Money management
- Credit
- Financing
- Selecting a home
- Closing
- Home maintenance

### **Have You Ever Owned a Home?**

- Yes, but more than 3 years ago
- Yes, I do now
- No

## ***Activity: Steps in the Homebuying Process Puzzle***

### **OVERVIEW**

Participants determine the correct order of the major steps in the homebuying process. The objective is to give participants an overview of the steps involved.

### **TIME**

15-20 minutes

### **MATERIALS**

- Puzzle pieces with steps in the homebuying process
- Envelopes

### **SETUP**

- Make enough copies of the pages with the puzzle pieces for small groups (4-5 participants), partners or individuals, depending on the size of the group.
- Cut out individual puzzle pieces.
- Divide puzzles into envelopes (one puzzle per envelope), and label them, “Steps in the Homebuying Process Puzzle.”

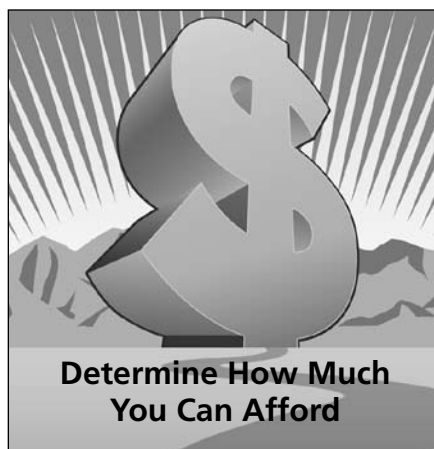
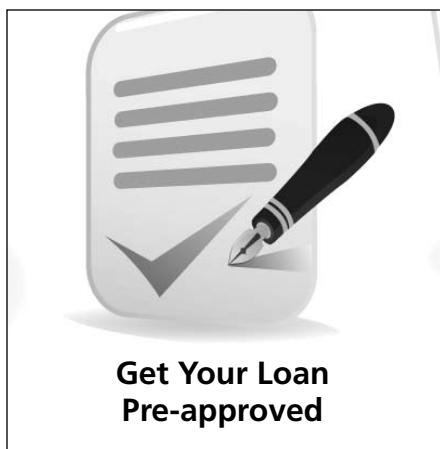
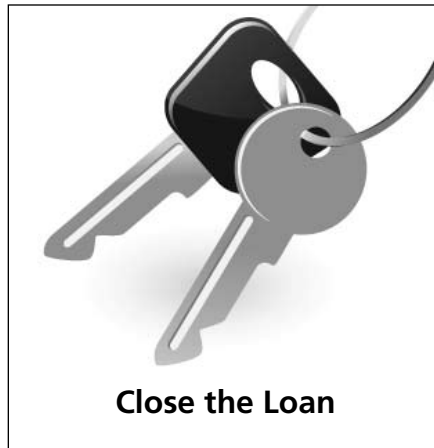
### **ACTIVITY**

- Give each team or individual an envelope containing the puzzle.
- Explain that the envelopes contain 10 major steps in the homebuying process and participants are to organize the steps in the order in which they think the steps should occur.
- Conduct the activity.
- After 15 minutes, ask each team or individual to report on the puzzle. Compare and discuss the results.
- Review the correct order of the steps of the homeownership process using an overhead, flipcharts or PowerPoint.

### **DEBRIEFING**

1. Do you agree with the “correct” order? If not, why not?
2. Are there any important steps you would add or remove?
3. Did this activity help you learn more about the homebuying process? Were there any steps that surprised you?

## Steps in the Homebuying Process Puzzle Pieces



## Steps in the Homebuying Process Puzzle Pieces

*(continued from previous page)*



## ***Steps in the Homebuying Process Puzzle***

### ***Answer Key***

1. Attend homebuyer education classes
2. Determine how much you can afford to spend
3. Get loan pre-approved
4. Decide what kind of house you need
5. Shop for a home
6. Make an offer
7. Inspect the home
8. Apply for a loan
9. Get insurance and additional inspections
10. Close the loan

## Credit Report and Credit Score Order Form

Credit Reporting Agency

Date

Address

City

State

Zip Code

Please send to me a copy of: ☐ My credit report ☐ My credit score

I have enclosed a check in the amount of \$ \_\_\_\_\_

First Name

Middle Initial

Last Name

Generation

Spouse's First Name

Current Address

City

State

Zip Code

Previous Address

City

State

Zip Code

Previous Address

City

State

Zip Code

Previous Address

City

State

Zip Code

Previous Address

City

State

Zip Code

Social Security Number

Date of Birth (Month/Day/Year)

Enclosed is the following for verification of my current address and phone number:

☐ Copy of my driver's license ☐ Copy of current statement ☐ Other: \_\_\_\_\_

Signature

Date

Thank you.



## Housing Affordability Worksheet

### If you are paid:

Weekly	\$ _____ pay before deductions	x 52	\$ _____ annual income
Twice a Month	\$ _____ pay before deductions	x 24	\$ _____ annual income
Once a Month	\$ _____ pay before deductions	x 12	\$ _____ annual income
Other Monthly Income	\$ _____ other monthly income	x 12	\$ _____ annual income

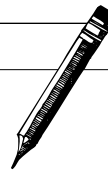
### Total Gross Annual Income

(Add annual income from all borrowers  
to other monthly income)

\$ \_\_\_\_\_

\$ \_\_\_\_\_ x 2.5 \$ \_\_\_\_\_  
Gross Annual Income Low Range of Housing Cost

\$ \_\_\_\_\_ x 3 \$ \_\_\_\_\_  
Gross Annual Income High Range of Housing Cost



## Total Monthly Debt Worksheet

### Your Total Monthly Debt Payments

Car Payment \$ \_\_\_\_\_

#### Credit Cards

Card:

Monthly Payment

\_\_\_\_\_  
\$ \_\_\_\_\_  
\_\_\_\_\_  
\$ \_\_\_\_\_  
\_\_\_\_\_  
\$ \_\_\_\_\_  
\_\_\_\_\_  
\$ \_\_\_\_\_

Total monthly debt from credit cards \$ \_\_\_\_\_

#### Loan Payments

Lender:

Monthly Payment

\_\_\_\_\_  
\$ \_\_\_\_\_  
\_\_\_\_\_  
\$ \_\_\_\_\_  
\_\_\_\_\_  
\$ \_\_\_\_\_  
\_\_\_\_\_  
\$ \_\_\_\_\_

Total monthly debt from loans \$ \_\_\_\_\_

#### Childcare

\$ \_\_\_\_\_ x 52 ÷ 12 \$ \_\_\_\_\_

Weekly cost for all children

**Total Monthly Debt** \$ \_\_\_\_\_

(Add monthly car payment, total monthly debt from credit cards,  
total monthly debt from loans, and monthly childcare payment)





## Prequalifying Worksheet

### Your Gross Monthly Income

Your weekly pay \$ \_\_\_\_\_ X 52 ÷ 12 \$ \_\_\_\_\_  
(before deductions)

or

Your twice-a-month pay \$ \_\_\_\_\_ X 2 \$ \_\_\_\_\_  
(before deductions)

Your spouse's weekly pay \$ \_\_\_\_\_ X 52 ÷ 12 \$ \_\_\_\_\_  
(before deductions)

or

Your spouse's twice-a-month pay \$ \_\_\_\_\_ X 2 \$ \_\_\_\_\_  
(before deductions)

Your Monthly Gross Pay \$ \_\_\_\_\_  
(Your pay + your spouse's pay)

Other Gross Monthly Income \$ \_\_\_\_\_

### Total Gross Monthly Income

(Monthly Gross Pay + Other Gross Monthly Income) \$ \_\_\_\_\_

### Ratios and Debt

Total Gross Monthly Income X \_\_\_\_\_ % (housing ratio) \$ \_\_\_\_\_ (2)

Total Gross Monthly Income X \_\_\_\_\_ % (debt-to-income ratio) \$ \_\_\_\_\_ (3)

Total Monthly Debt Payment \$ \_\_\_\_\_ (4)  
(any installment debts with 10+ months remaining)

Subtract Line (4) from Line (3) \$ \_\_\_\_\_ (5)

### Maximum Mortgage Loan Payment Allowed

Enter whichever is less, Line (2) or Line (5) \$ \_\_\_\_\_ (6)

Multiply Line (6) by 20% \$ \_\_\_\_\_ (7)  
(estimated taxes and insurance)

Subtract Line (7) from Line (6) \$ \_\_\_\_\_ (8)  
(maximum principal and interest payment allowed)

Divide Line (8) by factor from sample factor table \$ \_\_\_\_\_ (9)

### Maximum Mortgage Loan Amount

Multiply Line (9) by \$1,000 \$ \_\_\_\_\_

\*% may be greater if mortgage insurance and/or homeowner association dues are required.



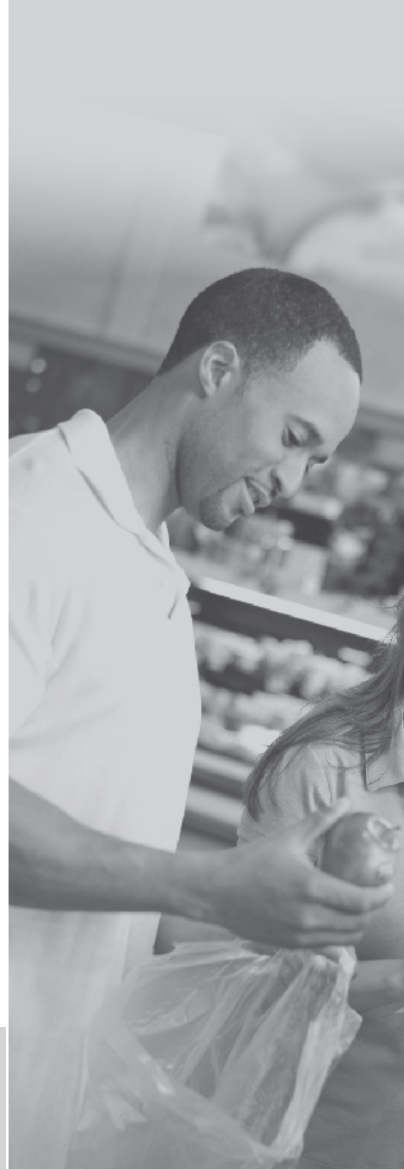
## Sample Interest Factor Table

### COST FOR EACH \$1,000 OF A MORTGAGE LOAN

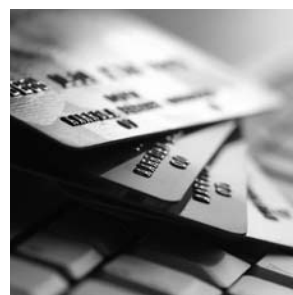
Interest Rate	15-Year Loan	20-Year Loan	30-Year Loan
4.00	\$7.40	\$6.09	\$4.77
4.50	\$7.65	\$6.36	\$5.07
5.00	\$7.91	\$6.60	\$5.37
5.50	\$8.18	\$6.88	\$5.68
6.00	\$8.44	\$7.17	\$6.00
6.50	\$8.72	\$7.46	\$6.33
7.00	\$8.99	\$7.46	\$6.33
7.50	\$9.28	\$8.06	\$7.00
8.00	\$9.56	\$8.37	\$7.34
8.50	\$9.85	\$8.68	\$7.69
9.00	\$10.15	\$9.00	\$8.05
9.50	\$10.45	\$9.33	\$8.41
10.00	\$10.75	\$9.66	\$8.78
10.50	\$11.06	\$9.99	\$9.15
11.00	\$11.37	\$10.33	\$9.53
11.50	\$11.69	\$10.67	\$9.91
12.00	\$12.01	\$11.02	\$10.29

Source: McGraw Hill's Interest Amortization Tables, Third Edition, 2006

# Managing *Your Money*







## 2: *Managing Your Money*

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### CONTENTS

Activity: Money Management Opinions .....	38
Case Study: Trimming Expenses – Meet Jessica .....	41
Worksheet: Monthly Income .....	45
Worksheet: Monthly Expenses .....	46
Worksheet: Monthly Discretionary Income .....	47
Worksheet: Setting Goals .....	48
Monthly Spending Plan .....	49
Monthly Spending Plan 2 .....	52
Worksheet: Debt Payment .....	55
Worksheet: Money Control .....	56
Worksheet: Down Payment Savings Accumulator .....	57
Managing Your Money Self-Test Answer Key .....	58



## ***Activity: Money Management Opinions***

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Participants identify their feelings about managing money. The objective is to help participants understand how they use money.

### **TIME**

20-30 minutes

### **MATERIALS**

- Tape
- Signs for “strongly agree,” “strongly disagree” and “unsure” (or true, false and sometimes true)
- Paper with list of statements

### **SETUP**

- Choose four or five statements from the list on the next page.
- Make three signs: Strongly Agree, Strongly Disagree and Unsure, or True, False and Sometimes True.
- Post the signs in different areas around the room.

### **ACTIVITY**

- Ask all participants to stand up and look around the room for the three signs.
- Explain that you will be reading a series of statements about money management. After listening to the statement, each participant should move to the sign that best describes his or her opinion about the statement. After participants move, ask for two or three volunteers from each opinion group to share why they feel the way they do.
- Conduct the activity.

### **DEBRIEFING**

1. Do you feel the same about the statements now as you did when they were first read? If not, why?
2. Did this activity help you learn more about the way you handle money?
3. What things would you like to change about your habits or feelings about money management ?

## *Money Management Opinions*

### **STATEMENTS FOR STRONGLY AGREE, STRONGLY DISAGREE AND UNSURE**

- Managing your money and trimming expenses are always painful.
- The biggest threats to a spending plan are unexpected expenses.
- You can't have a spending plan without a written plan and a goal.
- One person in the family must be responsible for monitoring the spending plan.
- A spending plan should always be done on a six-month basis.
- In a good spending plan, every member of the family should have spending money.
- The first step in money management is setting a goal.
- Never adjust a spending plan, even if it's not working.
- A spending plan is useless unless your whole family agrees to it.
- If you can't save at least 10 percent of your income regularly, it's not worth it to open a savings account.
- It's important to track every penny spent to control spending habits.
- I've made mistakes in managing my money.

**STATEMENTS FOR TRUE, FALSE AND SOMETIMES TRUE**

- Managing your money is the first step in buying a home.
- A budget is simply a plan for spending and saving your money.
- A spending plan must be specific and in writing.
- Setting goals and priorities is not important in establishing a budget.
- A monthly or weekly spending plan is better than an annual spending plan.
- If family members have different goals and priorities, agreeing on a spending plan can be difficult.
- It is important to check progress on your spending plan every week or month.
- Setting aside some “fun money” for every family member is an important money management item.
- It’s important to see a professional housing counselor before setting a family spending plan.
- You should adjust your spending plan if it’s not working.
- You should plan your spending plan according to what your income is now, not what you hope it will be.
- It’s important that only one person be designated to create the spending plan, pay the bills and maintain the plan.
- You feel free to spend more after clearing up a debt.
- Money management is a difficult but necessary chore for every family.
- The first step in money management is setting a goal.



## *Case Study: Trimming Expenses – Meet Jessica*

### **OVERVIEW**

Participants help Jessica identify ways to trim her expenses. The objective is to give participants ideas on ways they can trim their own expenses to better manage their money and/or increase their savings.

### **TIME**

30-40 minutes

### **MATERIALS**

- Written copies of the case study for all participants
- Paper and pencils for all participants
- Flipchart and easel
- Markers
- Tape

### **SET UP**

- Make enough copies of the pages with the case study for all participants.
- Prepare a flipchart with suggestions, and keep it hidden from participants.

### **ACTIVITY**

- Distribute copies of the case study to participants and ask them to divide up into small groups.
- Read the case study aloud.
- Give the groups 10-15 minutes to pretend that they know Jessica and are offering her advice on how to save money. Ask groups to develop a list of 10 or more recommendations for Jessica to help her spend less and develop better saving habits.
- Bring the group back together and record their suggestions on the flipchart paper.
- Share your previously recorded suggestions with the group to supplement their answers by using a flipchart, overhead or PowerPoint presentation.

### **DEBRIEFING**

1. Are there any similarities between your situation and Jessica's?
2. Would any of the suggestions be useful to you in changing your own spending and saving habits?

### **CASE STUDY**

Jessica is a divorced, single mother of two boys, ages six and seven. She works full time at the local library and earns \$20,000 a year. She receives no alimony and no public assistance.

To save money after her divorce, Jessica moved into her parents' home and plans to move out as soon as possible into a three-bedroom apartment. To afford monthly rent, she knows that she'll need to make some changes to her spending habits. She's reviewed all of her expenses and doesn't see ways to cut back her spending, as she believes that she buys only what her family needs.

Here's a profile of Jessica's spending habits:

#### **Food**

- Makes breakfast for her sons every morning but has no time to make breakfast for herself. So she buys something at a coffee shop next to work, which usually costs about \$4 each workday.
- For lunch, gets a sandwich and drink at a local deli for about \$7.
- Buys lunches for the children at the school cafeteria for \$2 each.
- Usually gives her sons frozen dinners because she's too tired to cook.
- Goes out for pizza and ice cream every Friday night, which costs about \$25 for the three of them.
- Shops for food only when she needs to, often picking up some canned goods and other items at a drug store near work because it's convenient.
- Isn't sure how much she spends each week or month on food.

#### **Clothing**

- Has to buy clothes regularly for the boys because they grow so fast, but they insist on wearing fashionable clothes to school.
- Buys high-quality, designer-type dresses for herself that sometimes cost at least \$100.
- Doesn't keep track of how much she spends on clothing.
- Always uses her credit cards for clothing purchases, making the minimum payment of \$50 each month.

#### **Housing**

- Wants to move into a three-bedroom apartment so the boys can have their own rooms. That would cost about \$700 a month where she wants to live in the suburbs.

### **Furniture**

- Stores furniture from her marriage at a public facility because it doesn't fit in her parents' home. That costs her \$25 a month.

### **Transportation**

- Has a car from the marriage, a 1993 Ford that's paid for but doesn't run very well. She has to get it repaired every few months.
- The repairs, insurance, gas and maintenance cost her about \$300 a month. She uses the car for errands and work, which is about seven miles from her parents' house.
- Parks for free at the library.

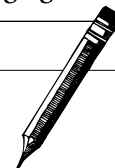
### **Entertainment**

- Takes the boys to the movies every Saturday night, which costs \$25 for all of them.
- Rents videos occasionally.
- Subscribes to cable TV so her children can watch movies and sports, which costs almost \$40 per month.
- Buys a newspaper every day on her way to work and subscribes to four magazines. The total is around \$100 a year.
- Belongs to a health club where she goes three times a week to jog on the treadmill and do aerobics. The membership cost is \$30 a month.

### **Suggestions for Jessica**

- Eat breakfast at home and pack lunches for herself and her children.
- Use coupons and purchase items on sale.
- Shop for groceries at discount food stores.
- Buy food in bulk or join a cooperative.
- Make simple dinners from scratch rather than frozen dinners.
- Go out for pizza and ice cream every other week instead of every Friday.
- Keep a record of all purchases.
- Limit the amount of fashionable clothing she buys for her children.
- Purchase secondhand clothes.
- Buy dresses on sale.
- Don't windowshop; it's too tempting.
- Cut up her credit card.
- Settle for a two-bedroom apartment, where the children can share a room.
- Find a safe and decent apartment closer to work to eliminate the need for a car.

- Sell the furniture in storage.
- Go to the movies less often and use DVDs more often.
- Go to matinees.
- Get rid of cable and replace it with library books.
- Stop buying newspapers and magazines because she already has access to them at the library.
- Cancel the health club membership and start exercising at home.
- Track down her ex-husband and get him to pay child support.



## 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 Expenses Worksheet

### Housing

Rent or mortgage	\$ _____
Heating ( <i>gas or oil</i> )	\$ _____
Electricity	\$ _____
Water or sewage	\$ _____
Telephones ( <i>landlines and cell phones</i> )	\$ _____
Renters or homeowners insurance ( <i>if not included in mortgage</i> )	\$ _____
Trash service	\$ _____
Home maintenance and furnishings	\$ _____
Cleaning supplies	\$ _____
Lawn service	\$ _____

### Transportation

Gas	\$ _____
Car payment	\$ _____
Car insurance	\$ _____
Car inspection	\$ _____
Car repairs and maintenance	\$ _____
License plates and registration fees	\$ _____
Public transportation or taxi	\$ _____
Parking and tolls	\$ _____

### Food

Groceries	\$ _____
School lunches	\$ _____
Work-related ( <i>lunches and snacks</i> )	\$ _____

### Insurance

Health ( <i>medical and dental, if not payroll-deducted</i> )	\$ _____
Life	\$ _____
Disability	\$ _____

### Medical

Doctor	\$ _____
Dentist	\$ _____
Prescriptions	\$ _____

### Childcare

Childcare or babysitters	\$ _____
Child support or alimony	\$ _____

### Clothing

Clothing	\$ _____
Laundry and dry cleaning	\$ _____

### Donations

Religious or charity	\$ _____
----------------------	----------

**Total Regular Monthly Expenses** \$ \_\_\_\_\_

### Education

Tuition	\$ _____
Books, papers and supplies	\$ _____
Newspapers and magazines	\$ _____
Lessons ( <i>sports, dance, music</i> )	\$ _____

### Gifts

Birthdays	\$ _____
Major holidays	\$ _____

### Personal

Barber or beauty shop	\$ _____
Toiletries	\$ _____
Children's allowances	\$ _____
Tobacco products	\$ _____
Beer, wine or liquor	\$ _____

### Entertainment

Movies, sporting events, concerts, etc.	\$ _____
Video rentals	\$ _____
Internet service	\$ _____
Cable/satellite TV	\$ _____
Restaurants and take-out meals	\$ _____
Gambling and lottery tickets	\$ _____
Fitness or social clubs	\$ _____
Vacations/trips	\$ _____
Hobbies or crafts	\$ _____

### Miscellaneous

Checking account and money order fees	\$ _____
Pet care and supplies	\$ _____
Postage	\$ _____
Pictures and photo processing	\$ _____
"Mad" money	\$ _____

### Debts

Student loan	\$ _____
Credit card ( <i>monthly minimum</i> )	\$ _____
Credit card ( <i>monthly minimum</i> )	\$ _____
Credit card ( <i>monthly minimum</i> )	\$ _____
Medical bills	\$ _____
Personal loan	\$ _____

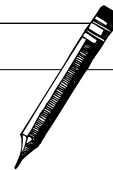
### Other

Other	\$ _____
Other	\$ _____
Other	\$ _____

## Monthly Discretionary Income Worksheet



Figure Your Discretionary Income	Extra Money Each Month
Total Monthly Income	\$ _____
Minus total regular monthly expenses	\$ _____
Discretionary income (Balance Available to spend or save)	\$ _____

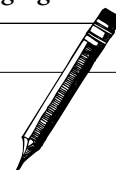


## Setting Goals Worksheet

1. Fill in the date you want to reach the goal.
2. Fill in the amount you need to reach the goal.
3. Fill in the amount of savings you have now that you can use to reach this goal.
5. Fill in the number of pay periods between now and the date you have set to reach the goal.
6. Divide column 4 by column 5 to get the amount you need to save each pay period to reach your goal.

	1 By When	2 Cost	3 Current Savings	4 Savings Needed	5 How Many Pay Periods	6 How Much Per Pay Period
<b>Short-term goals</b> (within one year)						
a. Car down payment	6 months	\$2,400	\$1,500	\$900	12	\$75
b.						
c.						
d.						
<b>Long-term goals</b>						
a. House down payment	5 years	\$12,000	\$2,000	\$10,000	120	\$83.33
b.						
c.						
d.						





## Monthly Spending Plan

This spending plan is broken down into the following types of expenses: fixed, periodic fixed, flexible and indebtedness. Depending on your situation, some expenses (for example, a cell phone) may be considered flexible rather than fixed. Be sure to adjust the categories to best reflect your needs and lifestyle.

Monthly Expense		Budgeted Amount	Actual Spent	Difference
<b>Fixed Expenses</b>				
<b>Housing</b>	Rent or Mortgage			
	Heating (gas or oil)			
	Electricity			
	Telephones (landlines and cell phones)			
	Other:			
<b>Transportation</b>	Gas			
	Car Payment			
	Public Transportation or Taxi			
	Parking and Tolls			
	Other:			
<b>Insurance</b>	Health (medical and dental, if not payroll deducted)			
	Life			
	Disability			
	Other:			
<b>Childcare</b>	Childcare or Babysitters			
	Child Support or Alimony			
<b>Fixed Expenses Subtotal</b>				
<b>Periodic Fixed Expenses (divide annual payments by 12)</b>				
<b>Housing</b>	Renters or Homeowners Insurance (if not included in mortgage)			
	Water or Sewage			
	Trash Service			
	Other:			
<b>Transportation</b>	Car Insurance			
	Car Inspection			
	Car Repairs and Maintenance			
	License Plates and Registration Fees			
	Other:			
<b>Periodic Fixed Expenses Subtotal</b>				

## 2: Managing Your Money

Monthly Expense		Budgeted Amount	Actual Spent	Difference
<b>Flexible Expenses</b>				
<b>Food</b>	Groceries			
	School Lunches			
	Work-Related (lunches and snacks)			
	Other:			
<b>Housing</b>	Home Maintenance and Furnishings			
	Cleaning Supplies			
	Lawn Care			
	Other:			
<b>Medical</b>	Doctor			
	Dentist			
	Prescriptions			
	Other:			
<b>Savings</b>	Emergency Fund			
	Down Payment Fund			
<b>Clothing</b>	Clothing			
	Laundry and Dry Cleaning			
	Other:			
<b>Education</b>	Tuition			
	Books, Papers and Supplies			
	Newspapers and Magazines			
	Lessons (sports, dance, music)			
	Other:			
<b>Donations</b>	Religious or Charity			
	Other (if not payroll deducted):			
<b>Gifts</b>	Birthdays			
	Holidays			
	Other:			
<b>Personal</b>	Barber or Beauty Shop			
	Toiletries			
	Children's Allowances			
	Tobacco Products			
	Beer, Wine, Liquor			
	Other:			

Source: CreditSmart by Freddie Mac

Monthly Expense		Budgeted Amount	Actual Spent	Difference
<b>Flexible Expenses Continued</b>				
Entertainment	Movies, Sporting Events, Concerts, Theater, Etc.			
	Video Rentals			
	Internet Service			
	Cable/Satellite TV			
	Restaurants and Take-Out Meals			
	Gambling or Lottery Tickets			
	Fitness or Social Clubs			
	Vacations/Trips			
	Hobbies or Crafts			
	Other:			
Miscellaneous	Checking Account Fees, Money Order Fees, Etc.			
	Pet Care or Supplies			
	Postage			
	Pictures and Photo Processing			
	"Mad" Money			
	Other:			
	Flexible Expenses Subtotal			
<b>Indebtedness Expenses</b>				
Debts*	Student Loan			
	Credit Card (monthly minimum*)			
	Credit Card (monthly minimum)			
	Credit Card (monthly minimum)			
	Medical Bills			
	Personal Loan			
	Other:			
	<b>Indebtedness Subtotal</b>			
<b>Total</b>				
Total Monthly Expenses (fixed + periodic fixed + flexible + indebtedness)				
Income				
Total Monthly Net Income				
Additional Savings				
Amount Left Over for Savings (total monthly net income – total monthly expenses)				

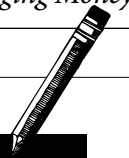
\*Although it is strongly recommended that you pay more than the monthly minimum payment due, lenders will use this amount when calculating monthly debt obligations.



## Monthly Spending Plan 2

Name: \_\_\_\_\_ Period: \_\_\_\_\_

Expense	Current	Plan	Spent	O/S
<b>Housing</b>				
Housing Payment				
Heating (gas or oil: 12-mo. average)				
Electricity				
Water/Sewer				
Telephones (landlines and cell phones)				
<b>Total</b>				
<b>Home Maintenance</b>				
Monthly Maintenance				
Lawn Care				
Pest Control				
<b>Total</b>				
<b>Food</b>				
Food/Groceries				
Food at Work (daily x 20 days)				
School Lunches (x 20 days)				
<b>Total</b>				
<b>Savings</b>				
Emergency Fund				
Down Payment Savings Fund				
<b>Total</b>				
<b>Car</b>				
Gasoline				
Car Repairs/Maintenance (annual ÷ 12)				
License Tags/Taxes				
Car Inspection				
<b>Total</b>				



Expenses	Current	Plan	Spent	O/S
<b>Personal</b>				
Personal Items/Toiletries				
Barber/Beauty Shop				
Allowances for Children				
Childcare				
Child Support/Alimony				
Tobacco				
Alcoholic Beverages				
<b>Total</b>				
<b>Insurance</b>				
Auto Insurance (annual $\div$ 12)				
Life Insurance				
Homeowners/Renters (if not in house payment)				
Health Insurance				
<b>Total</b>				
<b>Medical</b>				
Medication				
Doctor Visits (# individuals x annual cost $\div$ 12)				
Dentist				
<b>Total</b>				
<b>Clothing</b>				
Clothing (cost last year $\div$ 12)				
Laundry/Dry Cleaning				
<b>Total</b>				
<b>Gifts &amp; Donations</b>				
Birthday Gifts (annual $\div$ 12)				
Christmas (annual $\div$ 12)				
Other Gifts				
Church Donations				
Other Charities				
<b>Total</b>				



Expenses	Current	Plan	Spent	O/S
<b>Education</b>				
School Fees/Books/Supplies				
Newspaper/Magazines				
Total				
<b>Entertainment</b>				
Movie Rental				
Cable TV				
Athletic Events/Hobbies				
Vacations				
Eating Out				
Total				
<b>Other</b>				
"Mad" money				
Pet Supplies/Care				
Postage				
Checking Account Fees				
Pictures/Photo Processing				
<b>Total</b>				
<b>Monthly Totals</b>				

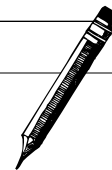


## Worksheet: Debt Payment

Name: \_\_\_\_\_ Period: \_\_\_\_\_

### Loans, Credit Cards and Other Debts

Creditor							
Starting Date							
<b>Total Balance Due</b>							
Interest Rate							Total
Amount Paid							
Interest/Charges							
<b>Balance</b>							
Amount Paid							
Interest/Charges							
<b>Balance</b>							
Amount Paid							
Interest/Charges							
<b>Balance</b>							
Amount Paid							
Interest/Charges							
<b>Balance</b>							
Amount Paid							
Interest/Charges							
<b>Balance</b>							
Amount Paid							
Interest/Charges							
<b>Balance</b>							
Amount Paid							
Interest/Charges							
<b>Balance</b>							
Amount Paid							
Interest/Charges							
<b>Balance</b>							
Amount Paid							
Interest/Charges							
<b>Balance</b>							
<b>Balance Due</b>							



## Worksheet: Money Control

Matching money in hand with bills as they arrive is a skill that has to be learned. This worksheet is designed to help you see when bills are due, so you can set aside money to pay them. With practice, you will be able to save money from one payday to cover a bill that comes due later in the month. Divide each expense by the number of weeks in the month and enter the amount in each weekly column across from that expense.

Name: \_\_\_\_\_ Period: \_\_\_\_\_

Cash Flow						
Week	1	2	3	4	5	Total
\$ on hand						
\$ received						
\$ received						
<b>Total</b>						
<b>Expenses</b>						
Housing						
Home Maintenance						
Food						
Savings						
Car						
Personal						
Insurance						
Medical						
Clothing						
Gifts and Donations						
Education						
Entertainment						
Other						
<b>Total Debt Payment</b> (from Debt Payment Worksheet)						
<b>Total Expenses</b>						
<b>On-Hand in Next Week's Column</b>						





## Worksheet: Down Payment Savings Accumulator

Name: \_\_\_\_\_ Savings Goal : \_\_\_\_\_

Time Frame to Achieve Goal: \_\_\_\_\_

Monthly Savings Required to Achieve Goal: \$ \_\_\_\_\_

Month	Budgeted Amount Saved	Actual Amount Saved

## ***Managing Your Money***

### ***Self-Test Answer Key***

#### **QUESTIONS AND ANSWERS**

1. What are three reasons for having a spending plan?  
To prepare for large expenses, encourage savings, prepare for surprise expenses, identify wasteful spending or accomplish goals
2. What are the three steps in establishing a spending plan?
  1. Determine monthly net income
  2. Calculate expenses
  3. Subtract monthly expenses from income
3. What is a short-term goal?  
A goal that can be accomplished within one year
4. What types of expenses are easiest to cut?  
Flexible expenses
5. Clip coupons, use a list to do grocery shopping, make cost comparisons fun, get three different prices for big purchases, decide family members' allowances, eat at home as often as possible, look in resale shops, trade services with friends or find fun free activities.

#### **TRUE OR FALSE**

1. True
2. False. You should pay yourself first.
3. False. Ideally, you should get buy-in from the entire family.
4. True
5. True
6. False. CD and money market accounts usually earn higher interest rates than regular savings accounts.

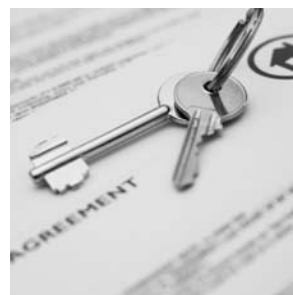
#### **MATCHING**

1. E
2. B
3. D
4. F
5. C
6. A

# Understanding *Credit*







### ***3: Understanding Credit***

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#### **CONTENTS**

Activity: Credit Crossword Puzzle .....	62
Activity: TransUnion Credit Report Quiz.....	65
Sample Credit Report from TransUnion.....	67
Credit Report and Credit Score Order Form .....	71
Activity: Credit Problems and Solutions Matching Exercise.....	72
Activity: Federal Laws Matching Exercise .....	75
Prospective Credit Counselors' Profiles.....	78
Worksheet: Nontraditional Credit .....	79
Worksheet: Are You in a Credit Crunch? .....	80
Worksheet: Power-Pay .....	81
Credit Rebuilding Letters .....	82
Understanding Credit Self-Test Answer Key.....	104



## *Activity: Credit Crossword Puzzle*

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### **OVERVIEW**

Participants test their knowledge of terms associated with credit. The objective is to help participants become familiar with credit terminology.

### **TIME**

15-20 minutes

### **MATERIALS**

- Copies of the crossword puzzle
- Pencils

### **SETUP**

- Make enough copies of the crossword puzzle for all participants.
- Print the answer key on an overhead transparency.

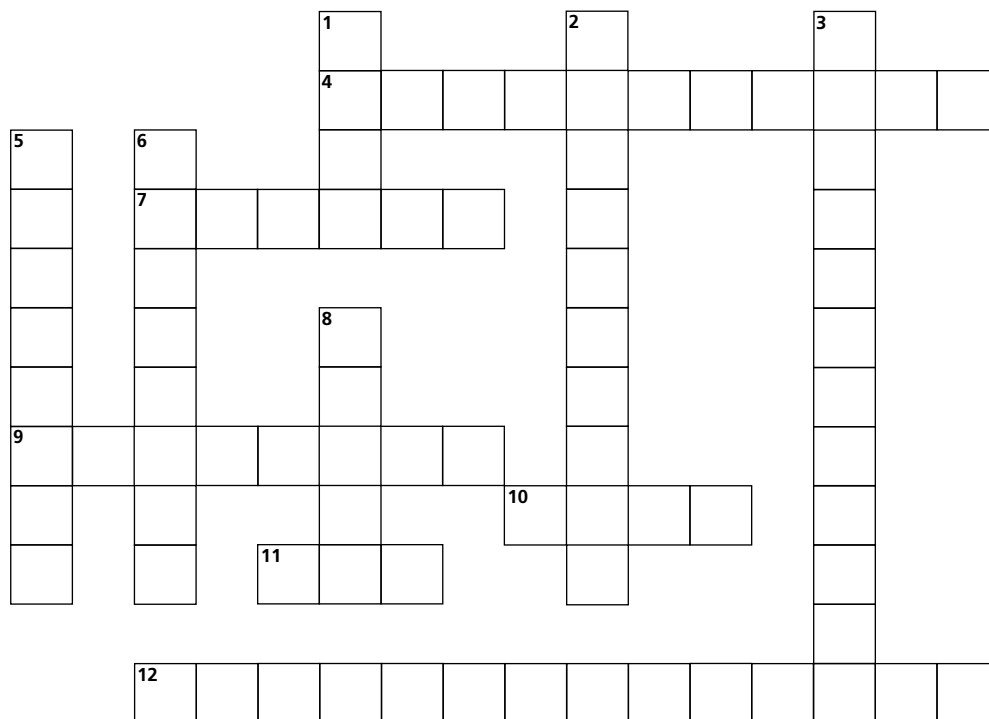
### **ACTIVITY**

- Give each participant a copy of the crossword puzzle and a pencil.
- Explain to participants that they can work individually or in small groups to complete the crossword puzzle. Let them know that it's OK if they are not familiar with all of the terms included in the puzzle because they will learn about all of these concepts in class.
- Conduct the activity.
- After 15 minutes, review the answers, using the crossword key on the overhead projector.

### **DEBRIEFING**

1. Which terms were you familiar with?
2. Which terms were new to you?

## Credit Crossword Puzzle



### Across

- 4 credit agreement for fixed amount of payment over period of time
- 7 way to remove your name from marketing lists
- 9 one of three major credit reporting agencies
- 10 protects from discrimination by lenders
- 11 maintains database of identity theft victims
- 12 rent, utility, child support payments used to establish credit history

### Down

- 1 system of credit scoring
- 2 remains on credit report for 10 years
- 3 lender takes back something of value when payments are not made
- 5 court order placing lien on property
- 6 computer system for paying off debt
- 8 account where two or more people are responsible for payment

## Credit Crossword Puzzle

**Solution:**





## ***Activity: TransUnion Credit Report Quiz***

### **OVERVIEW**

Participants practice reading a credit report. The objective is to help them become familiar with its contents.

### **TIME**

20-30 minutes

### **MATERIALS**

- Copies of the sample TransUnion credit report
- Copies of the credit report quiz

### **SETUP**

Make enough copies of the pages with the sample TransUnion credit report and credit report quiz for all participants.

### **ACTIVITY**

- Give each participant the sample TransUnion credit report and quiz.
- Explain to participants that they will find the answers to the quiz in the credit report. Let them know that they can work individually or in a small group.
- Conduct the activity.
- After 20 minutes, review the answers.

### **DEBRIEFING**

1. How many of you had seen a credit report before now?
2. How easy or hard was it to find the information in the credit report?
3. Do you feel more confident about your ability to read your own credit report?

## Credit Report Quiz

1. How many potentially negative items appear on John J. Doe's credit report?
2. What year did the small claims court from Someone Corp. occur?
3. In what year will the negative information regarding Someone Corp. be removed?
4. What is the status of XYZ, Inc.'s account?
5. What is the status of the ABCD bank credit card?
6. How many inquiries are there that affect John J.'s credit score?
7. What has been John J.'s highest credit limit?
8. Why did Noname Bank make an inquiry on John J.'s report?
9. How many inquiries are on the report?
10. What should John J. do if he sees an error in his credit report?

# Sample Credit Report from TransUnion

1. Your name and current address. **Doe, John J.**  
123 Nowhere Street  
Wonderland, IL 12345

2. Use this identifier (unique to this report) if you contact customer support. Also known as the File Identification Number or FIN. **Date of report:** 8/01/2008  
**File number:** 104452642

3. Previous addresses. **Personal Data:**  
**Former address reported:** 321 Noplace Road  
Greatworld, MN 54321  
Social Security number: 999-99-0000  
Estimated date of birth: 08/01/1970  
You have been in our files since: 10/01/1988  
Phone number: (000) 123-4567

4. Your personal information. **Employment Data:**  
**Employer:** Noname Inc. Address: 123 Main Street  
Anywhere, IL  
**Position:** Manager Date verified: 10/18/2007

5. Information obtained from public records. **Public Record:**  
The following items obtained from public records appear on your report. You may be required to explain public record items to potential creditors. Any bankruptcy information will remain on your report for 10 years from the date of filing. Civil suits, civil judgments and records of arrest will remain on your report for 7 years or until the governing statute of limitations has expired, whichever is longer. Paid tax liens may be reported for 7 years from date of payment. All other public record information and any accounts containing adverse information remain for 7 years. Generally, the period runs from the date the event took place.  
**Docket number:** SM102030 Small Claims **Paid civil judgment entered:** 01/01/2005  
**Plaintiff:** Someone Corp **Assets:**  
**Plaintiff attorney:** Pro Se **Liabilities:** \$819  
**Paid:** 09/01/2005

6. Credit report information that is not considered to be positive payment behavior, such as a past due account, remark code or late payment history. **Adverse Account Information Section:**  
The following accounts contain information that some creditors may consider to be adverse. Adverse account information may generally be reported for 7 years from the date the event took place. With regard to any delinquent account placed for collection or charged off, the 7-year period is calculated from the date of the delinquency that occurred immediately before the collection or charge off activity. The adverse information in these accounts has been printed in >brackets< for your convenience, to help you understand your report. They are not bracketed this way for creditors. (Note: the account number may be scrambled by the creditor for your protection).  
**XYZ Inc.** **Acct#:** 1010101010101 Installment account  
>Included in bankruptcy< **Balance:** \$0 Automobile  
**Updated date:** 2/15/2008 **Most owed:** \$939 Individual account  
**Opened:** 05/01/2005 **Payment terms:** 60 monthly  
**Closed:** 12/01/2005 **Past due:** \$0 **Credit limit:** \$80  
**Paid:** \$0  
7. Example of adverse information. **>Status as of 12/01/2005: Collection account<**

8. List of accounts with no adverse information. **Satisfactory Account Information Section:**  
The following accounts are reported with no adverse action.  
**ABCD Bank** **Acct#:** 1010101010101 Revolving account  
**Updated date:** 2/15/2008 **Balance:** \$3678 Credit card  
**Opened:** 03/01/2001 **Most owed:** \$3907 Joint account  
**Closed:** **Payment terms:**  
**Past due:** \$0 Credit limit: \$5000  
9. Account types can include installment loans, credit cards, mortgage loans, auto loans, retail accounts and finance companies accounts. **>Status as of 10/10/2006: Paid or paying as agreed<**

### 3: Understanding Credit

10. Companies that are deciding if they should offer you credit, insurance, etc., may make regular inquiries. These inquiries affect your credit report and score.

#### Regular Inquiry Section

The following companies have received your credit report. Their inquiries remain on your credit report for two years. (Note: TransUnion consumer disclosure inquiries are not viewed by creditors).

Date	Inquiry type	Subscriber name
09/13/2007	Individual	ZYX Financial Corp
08/06/2007	Joint	Credit Data/Someone Corp.

11. Companies that have received your name and address to make you a firm offer or credit or insurance make promotional inquiries. These do not affect your credit report and score.

#### Promotional Inquiry Section

The companies listed below received your name, address and other limited information about you so they could make a firm offer of credit or insurance. They did not receive your full credit report, and these inquiries are not seen by anyone but you.

Date	Subscriber name
02/10/2008	Noname Bank
11/01/2007	XXYY Financial

12. Companies that have an existing relationship with you may make account inquiries. These do not affect your report and score.

#### Account Review Inquiry Section

The companies listed below obtained information from your consumer report for the purpose of an account review or other business transaction with you. These inquiries are not displayed to anyone but you and will not affect any other creditor's decision or any score.

Date	Subscriber name
2/15/2008	AFDE Financial
2/01/2008	ABCD Bank

13. Any consumer statement that you added to your report appears here.

#### Consumer Statement Section

No consumer statements on file

14. Comments regarding discrepancies in your personal information may appear here as a method of fraud prevention.

#### Special Messages Section

No special messages on file

#### End of Report Section

If you believe any of the information in your credit report is incorrect, please let us know. Please address all correspondence regarding your credit report to:

<b>Contact bureau:</b>	TransUnion LLC
<b>Bureau address:</b>	2 Baldwin Place, PO Box 2000 Chester, PA 19022 800-916-8800
<b>Our business hours in your time zone area:</b>	8:30 a.m. to 4:30 p.m. Monday thru Friday, except major holidays

15. Your name and current address.

16. Your File Identification Number. This is a unique identifier you will use when referring to this credit report if you contact customer support.

### TransUnion Personal Credit Score

<b>Name:</b>	Doe, John J.	Date of credit score:	3/01/2008
<b>Address:</b>	123 Nowhere Street Wonderland, IL 12345	File number:	104452642

#### About your credit score:

A credit score is a computer generated mathematical calculation of the information that appears in a credit report. It represents your creditworthiness as a number or numerical value. The credit score is based on data about your credit history and payment behavior. Credit scores are listed to assist a lender or insurance company in determining the level of risk associated with granting you a loan, or evaluating an insurance policy. Credit scores may change over time, depending on how your credit history and payment behavior changes and how well you manage your credit obligations.

Since the credit score is based on information in your credit history, it is important that you review the credit report that is being furnished with this document to make sure it is complete and accurate.

The credit score, displayed below, is created by TransUnion. A higher credit score means a lower likelihood of delinquency in the next two years on a new account. The credit score is presented with up to four key factors. These factors will print in order of importance as to the reasons your credit score is not higher.

Please note that this credit score may be different than a credit score used by a lending institution or insurance company. The credit industry and the insurance industry use many different types of credit scores. For more information, visit [www.transunion.com](http://www.transunion.com)

### Personal Credit Score

17. Your TransUnion personal credit score.

18. The TransUnion personal credit scores range from 150 to 934. Scores are formulated based on the amount of credit information reported and the type (adverse or satisfactory). High scores reflect a long and positive credit history. Other bureaus may use different ranges and criteria.

19. The factors that most significantly affect your score.

Source:  
[www.transunion.com](http://www.transunion.com)

<b>Your credit score:</b>	<b>+520</b>
<b>Minimum score:</b>	<b>+150</b>
<b>Maximum score:</b>	<b>+934</b>

### Factor Description

<b>Factor 1:</b>	Collection amounts ever owed are too high Consumers with collection activity are more likely of future delinquency. Making prompt payments over a longer period of time may improve your score.
<b>Factor 2:</b>	Too many serious delinquencies Your credit record reflects one or more accounts with a delinquent payment history of 90 days or more delinquent. Making prompt payments over time may improve your credit score.
<b>Factor 3:</b>	Average balance of revolving accounts is too high Lowering your balances on these accounts may improve your credit score.
<b>Factor 4:</b>	Too many delinquencies Your credit report reflects delinquent payment history on one or more accounts. Making prompt payments over time may improve your credit score.

## Credit Report Quiz: Answer Key

1. The small claims court report regarding Someone Corp. and the XYZ, Inc. account placed in a Collection account 12/01/2005.
2. 2005
3. 20124. Included in bankruptcy, placed in collection account as of 12/01/05.
5. As of 10/10/2006: paid or paying as agreed
6. 2. ZYX Financial Corp., and Credit Data/Someone Corp.
7. \$3907, ABCD Bank
8. They want to offer John J. credit or insurance.
9. For an account review.
10. Contant TransUnion LLC by phone or mail.

## Credit Report and Credit Score Order Form

Credit Reporting Agency \_\_\_\_\_

Date \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip Code \_\_\_\_\_

Please send to me a copy of: ☐ My credit report ☐ My credit score

I have enclosed a check in the amount of \$ \_\_\_\_\_

First Name \_\_\_\_\_

Middle Initial \_\_\_\_\_

Last Name \_\_\_\_\_

Generation \_\_\_\_\_

Spouse's First Name \_\_\_\_\_

Current Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip Code \_\_\_\_\_

Previous Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip Code \_\_\_\_\_

Previous Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip Code \_\_\_\_\_

Previous Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip Code \_\_\_\_\_

Previous Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip Code \_\_\_\_\_

Social Security Number \_\_\_\_\_

Date of Birth (Month/Day/Year) \_\_\_\_\_

Enclosed is the following for verification of my current address and phone number:

☐ Copy of my driver's license ☐ Copy of current statement ☐ Other: \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

Thank you.

## ***Activity: Credit Problems and Solutions***

### ***Matching Exercise***

#### **OVERVIEW**

Participants choose the best solutions for overcoming common problems. The objective is to let participants know that many credit reports contain blemishes and that there are often many ways to address them. Ultimate solutions will depend on the type of credit problems, income and ability to reduce expenses.

#### **TIME**

5-10 minutes

#### **MATERIALS**

- Copies of credit problems and solutions matching exercise
- Pencils

#### **SETUP**

Make enough copies of the page with the exercise for all participants.

#### **ACTIVITY**

- Give each participant a copy of the exercise.
- Explain to the participants that they are to choose solutions to the common credit problems on the list. Let them know that they can use a solution more than once and that some problems could use more than one solution.
- Conduct the activity.
- After five minutes, ask for participants' answers.
- Review the correct answers.

#### **DEBRIEFING**

1. Do you agree with the possible solutions for common credit problems? If not, why?
2. Are there any solutions that you would add or remove?
3. Did this activity help you learn more about overcoming credit problems? Were there any solutions that surprised you?



## Credit Problems and Solutions Matching Exercise

Write down as many of the letters of possible solutions on the right as apply to the credit problems on the left. You may use letters more than once. Multiple letters may apply to a problem.

### COMMON PROBLEMS

1. Past-due credit accounts \_\_\_\_\_
2. Bankruptcies \_\_\_\_\_
3. Inaccurate information \_\_\_\_\_
4. Past poor credit performance \_\_\_\_\_
5. Judgments or liens \_\_\_\_\_
6. Pattern of late payments \_\_\_\_\_
7. Foreclosures or repossessions \_\_\_\_\_
8. Charge offs \_\_\_\_\_

### POSSIBLE SOLUTIONS

- a. Dispute the information with the credit reporting agency
- b. Seek professional help
- c. Pay them
- d. Negotiate a discounted payoff
- e. Prepare a realistic spending plan
- f. Set a new payment schedule with the creditor
- g. Write an explanation letter
- h. Re-establish credit

## Credit Problems and Solutions Matching Exercise: Answer Key

1. B, C, D, E, F, G, H
2. H, G
3. A
4. G, H
5. B, C, D, E, G, H
6. B, E, H
7. G, H,
8. B, C, E, G, H

## ***Activity:***

### ***Federal Laws Matching Exercise***

#### **OVERVIEW**

Participants get acquainted with the key laws that protect consumers' rights.

#### **TIME**

5-10 minutes

#### **MATERIALS**

- Copies of the federal laws matching activity
- Pencils

#### **SETUP**

Make enough copies of the page with the federal laws matching activity for all participants.

#### **ACTIVITY**

- Give each participant a copy of the activity.
- Explain to participants that they are to match the requirements with the appropriate federal act.
- Conduct the activity.
- After five minutes, ask for participants' answers.
- Review the correct answers.

#### **DEBRIEFING**

Did this activity help you become more familiar with the laws that protect your rights as a consumer?

## Federal Laws Matching Exercise

Select the letter that best corresponds to each law below.

### REQUIREMENTS

1. Requires creditors to provide complete and accurate information about credit costs and terms \_\_\_\_\_
2. Protects consumers' right to correct errors on credit card statements \_\_\_\_\_
3. Prevents lenders from asking you about your sex, race, color, religion or place of birth on credit applications \_\_\_\_\_
4. Prohibits abusive collection practices \_\_\_\_\_
5. Protects consumers' right to fix mistakes on their credit report \_\_\_\_\_

### ACTS

- A. Equal Credit Opportunity Act
- B. Fair Credit Billing Act
- C. Fair Credit Reporting Act
- D. Fair Debt Collection Practices Act
- E. Truth-in-Lending Act

## Federal Laws Matching Exercise: Answer Key

1. E
2. B
3. A
4. D
5. C

## Prospective Credit Counselors' Profiles

### COUNSELOR 1

Name of firm
Business address
Phone number
Director
Recommended counselor
How much training and experience does the counselor have?
Would you enjoy working with this person?
Payment terms for services, including the total cost
What will the counseling services involve and what services are to be performed?
Does the company offer any guarantees?
What information does the counselor need to make a financial assessment?
How long will the assessment take?
What are the company's other sources of income?
How long is the wait for counseling?
Miscellaneous notes:

### COUNSELOR 2

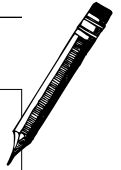
Name of firm
Business address
Phone number
Director
Recommended counselor
How much training and experience does the counselor have?
Would you enjoy working with this person?
Payment terms for services, including the total cost
What will the counseling services involve and what services are to be performed?
Does the company offer any guarantees?
What information does the counselor need to make a financial assessment?
How long will the assessment take?
What are the company's other sources of income?
How long is the wait for counseling?
Miscellaneous notes:



## Worksheet: Nontraditional Credit

I make regular monthly payments for:

- |  |   |
|--|---|
| <input type="checkbox"/> Rent and insurance payments | <input type="checkbox"/> Health insurance                   |
| <input type="checkbox"/> Gas and/or electric bills   | <input type="checkbox"/> Life insurance                     |
| <input type="checkbox"/> Phone bill                  | <input type="checkbox"/> Christmas club savings             |
| <input type="checkbox"/> Cell phone bill             | <input type="checkbox"/> Health club/gym fees               |
| <input type="checkbox"/> Internet service            | <input type="checkbox"/> Savings account deposits           |
| <input type="checkbox"/> Childcare                   | <input type="checkbox"/> Doctor or hospital bills           |
| <input type="checkbox"/> Child support               | <input type="checkbox"/> Any other large, recurring expense |
| <input type="checkbox"/> Car insurance               | <input type="checkbox"/> Other:                             |



## HOW TO SCORE THE WORKSHEET: Are You in a Credit Crunch?

### If you answered "no" to all the questions:

Congratulations! You are managing your debts. However, you should still be aware of the warning signals and review them occasionally to avoid future credit problems.

### If you answered "yes" to any questions:

You should analyze how serious the "credit crunch" is and what the problems are. You should also be on the lookout for other danger signals, and take any actions necessary to try to reduce debt and gain control of your finances.

### If you answered "yes" to a lot of questions:

Mostly likely, you are in a "credit crunch." Analyze the seriousness of the situation and determine its cause. You should take steps to change your spending habits. First, put away, or even hide, your credit cards; resist the temptation to use them. Next, make a budget to figure out where your money goes. Then get professional help from a credit counselor.

## Worksheet: Are You in a Credit Crunch?

It is easy for credit problems to sneak up. Sometimes we are deeply in debt before we even realize it. Look at the following warning signs about debt load. These signals can help you determine whether you are managing your debts or your debts are controlling you. Answer the following questions with a "yes" or "no" by placing an X in the appropriate column for each question. Then add up the totals for each column to see how well you are managing your debts.

Debt Warning Signs	Yes	No
1. Does your monthly creditor debt (excluding your house payment) exceed 20% of your take-home pay?		
2. Are you arguing with your spouse or partner over bills?		
3. Are you still paying bills from purchases made a year ago (excluding your car or house)?		
4. Is your checking account frequently overdrawn?		
5. Have you stopped adding to a savings account?		
6. Are you surprised at how much interest you pay creditors annually?		
7. Do you feel "out of control" when faced with a buying decision?		
8. Are you using savings to pay bills?		
9. Are you always late paying your bills?		
10. Are you borrowing money using cash advances or visiting payday lenders to pay this month's bills?		
11. Can you make only minimum monthly payments (or less) on your revolving charge accounts?		
12. Are this month's credit balances even larger than they were last month?		
13. Do you make payments on credit cards every month but find that your bills never go down?		
14. Are you near, at or over the limit on your lines of credit?		
15. Are you borrowing money to pay for regular household expenses such as rent, food, clothing, gas or insurance?		
16. Do you not go to the doctor or dentist because you can't afford them?		
17. Have you canceled auto, medical or life insurance because you can't afford them?		
18. If you lost your job, would you have money problems right away?		
19. Have you been getting calls from collection agencies?		
20. Are you afraid to add up the total amount of your debt?		
<b>Total</b>		





## Power-Pay Worksheet

### Calculation 1:

Complete the basic information below about your credit accounts.

Creditor	Balance	APR	Minimum Payment	Months Remaining (Balance ÷ Minimum Payment)
Visa	\$3,000	17%	\$60	$3000 \div 60 = 50$ months

### Calculation 2:

Complete the information for your first Power-Payment on the account with the smallest balance.

Creditor	Balance	APR	Total Monthly Applied (Minimum Monthly Payment + Monthly Savings)	Months Remaining (Balance ÷ Total Monthly Applied)
Visa	\$3,000	17%	$\$60 + \$50 = \$110$	$3000 \div 110 = 27$ months

### Calculation 3:

Complete the information for your next Power-Payment on another account.

Creditor	Balance	APR	Total Monthly Applied (Minimum Monthly Payment + Monthly Savings, including minimum monthly payment from creditor 1)	Months Remaining (Balance ÷ Total Monthly Applied)

### Calculation 4:

Complete the information for your next Power-Payment on another account.

Creditor	Balance	APR	Total Monthly Applied (Minimum Monthly Payment + Monthly Savings, including minimum monthly payment from creditors 1 and 2)	Months Remaining (Balance ÷ Total Monthly Applied)

## Credit Rebuilding Letters

### LETTER #1

[Date]

RE: REQUEST FOR CREDIT REPORT

To Whom It May Concern:

Please send me a copy of my credit report. My identifying information is as follows:

Name:

SS#:

Address:

City, State, Zip:

Birth date:

Past residences (last five years):

Former Name(s):

Enclosed is \$\_\_\_\_\_ as payment for the credit report. If you have any questions, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith

**LETTER #2**

[Date]

RE: REQUEST FOR FREE CREDIT REPORT

To Whom It May Concern:

My credit application was recently denied. According to the attached letter that I received less than 60 days ago from the company that denied me credit, your credit bureau issued the report that was used to evaluate my credit.

Section 609 [15 USC 1681g ] of the Fair Credit Reporting Act of 1970 provides that your credit bureau must send me all information on file that led to my credit application being denied. According to the provisions of Section 612 (b) [15 USC 1681j (b)], there is no charge for this information.

Please send my credit report to the address below. The attached letter details additional information identifying my account.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #3**

[Date]

RE: DELETIONS FROM CREDIT REPORT

To Whom It May Concern:

I received a copy of my credit report and am disputing some items that need to be deleted. I have highlighted and numbered these disputed items on the attached copy. The reasons these items should be deleted are indicated below:

Item #	Reason for Deletion
--------	---------------------

According to the provisions of the Fair Credit Reporting Act 611(a) [15 USC 1681i(a)], these disputed items must be investigated or deleted from my credit record within 30 days. In the interim, these items should be noted on my credit record as “in dispute.” I am also requesting the names, addresses and telephone numbers of all individuals you contact during your investigation so that I may follow up.

Please notify me that the above items have been deleted pursuant to 611 (a)(6) [15 USC 1681j (a) (6)]. I am also requesting an updated copy of my credit report, which should be sent to the address listed below. According to the provisions of 612 [15 USC 1681j], there should be no charge for this report.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #4**

[Date]

**RE: CORRECTIONS TO CREDIT REPORT**

To Whom It May Concern:

I received a copy of my credit report and am disputing some items that need to be corrected. I have highlighted and numbered these disputed items on the attached copy. The reasons these items should be corrected are indicated below:

Item #	Reason for Correction
--------	-----------------------

According to the provisions of the Fair Credit Reporting Act 611(a) [15 USC 1681i(a)], these disputed items must be investigated or deleted from my credit record within 30 days. In the interim, these items should be noted on my credit record as “in dispute.” I am also requesting the names, addresses and telephone numbers of all individuals you contact so that I may follow up.

If it is determined through your investigation that the disputed items are inaccurate, please correct my file and send me notification that the information has been updated or deleted.

I am requesting an updated copy of my credit report, which should be sent to the address listed below. According to the provisions of 612 [15 USC 1681j], there should be no charge for this report.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #5**

[Date]

RE: FAILURE TO RESPOND TO DELETION/CORRECTION LETTER

To Whom It May Concern:

On [insert date of first letter], I sent a letter requesting that you investigate or delete disputed items from my credit report. That letter also requested that you place these items in a “dispute status” during this investigation. As of this date, you have failed to respond to my request. A copy of my original letter is attached for your review.

The law stipulates that you must investigate within 30 days of receiving my letter and respond within five days of completing your investigation. You have not followed the stipulations of the law.

I may suffer damages because I need to rely on an accurate and complete statement of my credit record. I demand that you investigate and update my report as requested immediately. Otherwise, I will contact the Federal Trade Commission.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #6**

[Date]

RE: ADDITIONS TO CREDIT REPORT

To Whom It May Concern:

While reviewing a copy of my credit report, I discovered that some of my credit references are not included. Please add the following accounts to my credit report.

Merchant Name	Merchant #	Account #
---------------	------------	-----------

I am requesting an updated copy of my credit report, which should be sent to the address listed below. According to the provisions of 612 [15 USC 1681j] of the Fair Credit Reporting Act, there should be no charge for this report because it is incomplete.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you for your prompt attention to this matter.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #7**

[Date]

RE: UNAUTHORIZED INQUIRY

To Whom It May Concern:

I reviewed a copy of my credit report. [Company name] ran an unauthorized credit inquiry on me on [date].

I never authorized such action; this constitutes a violation of my rights under the Fair Credit Reporting Act §604. Please contact [company name] and investigate this occurrence.

I am requesting an updated copy of my credit report, which should be sent to the address listed below. According to the provisions of § 612 [15 USC § 1681j], there should be no charge for this report. In addition, as part of your investigation, please send the names, business addresses and phone numbers of those who made unauthorized credit inquiries so I may contact them directly.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #



**LETTER #8**

[Date]

RE: FRIVOLOUS LETTER REJECTION

To Whom It May Concern:

I am in receipt of your letter stating that my dispute of items in my credit report was “irrelevant and frivolous.” I am upset that your credit reporting agency would try such a blatant stall tactic. I am demanding that you reinvestigate my credit file under the Fair Credit Reporting Act Section 611 [15 USC 1681I].

Enclosed is a copy of my original letter and credit report with the disputed items highlighted. Additional stall tactics on the part of your organization will be reported to the Federal Trade Commission.

If you have any questions, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #9**

[Date]

RE: CONSUMER STATEMENT FOR DISPUTED ITEMS  
FOLLOWING INVESTIGATION

To Whom It May Concern:

Your investigation has not resolved my dispute of the accuracy and completeness of the highlighted items on my attached credit report. According to the Fair Credit Reporting Act, § 611(b) [USC 15 1681i(b)], I am entitled to “file a statement setting forth the nature of the dispute.” I would like potential future creditors to be aware of the dispute, and I want the following statement included in my credit report.

[consumer statement]

I am requesting an updated copy of my credit report, which should be sent to the address listed below. According to the provisions of § 612 [15 USC § 1681j], there should be no charge for this report.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #10**

[Date]

RE: CONSUMER STATEMENT FOR DISPUTED ITEMS

To Whom It May Concern:

According to the Fair Credit Reporting Act, § 611(b) [USC 15 1681i(b)], I am entitled to “file a statement setting forth the nature of the dispute.” I would like potential future creditors to be aware of the dispute, and I want the following statement included in my credit report.

[consumer statement]

I am requesting an updated copy of my credit report, which should be sent to the address listed below. According to the provisions of § 612 [15 USC § 1681j], there should be no charge for this report.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #11**

[Date]

RE: CONSUMER STATEMENT TO MAKE CREDIT FILE COMPLETE

To Whom It May Concern:

According to the Fair Credit Reporting Act, § 611(b) [USC 15 1681i(b)], I am entitled to enter a consumer statement in my credit report so that the information is complete and the credit reporting process is fair and equitable to me. I would like the following statement to be made a part of my permanent record so that potential future creditors will be aware of certain circumstances that caused negative credit information.

[consumer statement]

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #12**

[Date]

RE: BANKRUPTCY ACCOUNTS NOT IDENTIFIED

To Whom It May Concern:

I received a copy of my credit report. The items listed below were included in my bankruptcy but are not identified as such on my credit report. Please see the attached copy of the credit report with these item numbers written next to the problem entries. Also see a copy of my court documents that list the creditors included in my bankruptcy.

According to the provisions of the Fair Credit Reporting Act § 611(a) [15 USC 1681i(a)], these disputed items must be investigated or deleted from my credit record within 30 days. In the interim, these items should be noted on my credit record as “in dispute.” I am also requesting the names, addresses and telephone numbers of individuals you contacted so that I may follow up.

I am requesting an updated copy of my credit report, which should be sent to the address listed below. According to the provisions of § 612 [15 USC § 1681j], there should be no charge for this report.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #13**

[Date]

RE: REQUEST TO UPDATE FOR COMPLETENESS OF ACCOUNT HISTORY

To Whom It May Concern:

I received a copy of my credit report and am disputing information concerning my payment history. Accordingly, I am requesting that you investigate my dispute and add the attached history of payments to my credit file under the Fair Credit Reporting Act, § 611(a) [15 USC 1681i(a)].

I am requesting an updated copy of my credit report, which should be sent to the address listed below. According to the provisions of § 612 [15 USC § 1681j], there should be no charge for this report. Additionally, if you contact any people to make the necessary updates, please provide me with their names, business addresses and telephone numbers so that I may follow up directly.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #14**

[Date]

Credit Reporting Agency  
City, State, Zip

RE: MAILING LIST RESTRICTIONS

To Whom It May Concern:

I do not wish to have my name, address, telephone number, credit file or other information sold or traded with any marketers. In addition, please do not allow credit issuers to prescreen my credit file for credit offers.

I am requesting that all information about me and my accounts remain private. I want my name, address and credit data excluded from your marketing lists.

Thank you for your assistance in this matter.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #15**

[Sender's Address]

[Date]

Creditor  
City, State, Zip

RE: REPAYMENT AGREEMENT FOR ACCOUNT

Dear [name]:

Thank you for speaking with me on [date] regarding my account. As discussed, I have been prompt in paying in the past, but have recently been late due to the following circumstance(s):

I am requesting an amended repayment agreement until my financial situation improves. I would like to pay \$[amount] for the next [number] payment periods. After that time, I agree to resume making my full monthly payments.

I understand that during this time, I will not use any credit with [company name].

If my situation changes, I will contact you immediately.

Thank you for your understanding and assistance with this matter. If you have any questions or need additional information, please contact me at (305) 555-1111.

Sincerely,

Bruce Smith



**LETTER #16**

[Sender's Address]

[Date]

Creditor  
City, State, Zip

RE: NOTICE OF OVERDUE ACCOUNT

Dear [name]:

I am aware that my [account #] is overdue, but I have been unable to make payments in a timely manner due to the following circumstances:

My financial difficulties are due to a temporary situation, and I can make a payment by [date]. I will be able to resume my regular payments as of [date].

I appreciate you working with me during this difficult time. Your cooperation and understanding are greatly appreciated.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Sincerely,

Bruce Smith

**LETTER #17**

[Sender's Address]

[Date]

Creditor  
City, State, Zip

RE: REDUCED PAYMENT REQUEST FOR ACCOUNT

Dear [name]:

I am currently experiencing financial difficulties because [reason].

I have examined my finances and developed a careful budget that includes payment to each creditor.

To provide for my necessary expenses, I am requesting that each creditor accept a reduced payment until my situation improves. In place of my regular payment of [amount], I am requesting that you accept payment of [amount] each month.

I am making every effort to correct my financial situation and expect things to be resolved as of [date]. Until I resume my regular repayments, I will not incur any new debt obligation.

Enclosed is my first reduced payment.

Thank you for your understanding and cooperation during this difficult time.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Sincerely,

Bruce Smith

**LETTER #18**

[Sender's Address]

[Date]

Creditor  
City, State, Zip

RE: REQUEST FOR CEASING PHONE CALLS

Dear [name]:

I have been receiving telephone calls from you concerning my account [account #].  
As you have been informed repeatedly, I cannot pay the bill at this time.

Under 15 USCA 1692 c of the Fair Debt Collection Practices Act, this is my formal  
notice for you to cease all telephone calls except for those permitted by federal law.

Sincerely,

Bruce Smith

**LETTER #19**

[Sender's Address]

[Date]

Creditor  
City, State, Zip

RE: PROPOSAL TO SETTLE ACCOUNT

Dear [name]:

Based on our recent discussions, you are aware that I am in financial difficulties because of [reason] and am not currently able to make payments on my account.

My income barely covers my living expenses, and I have no assets to sell to pay you or my other creditors.

I am committed to paying this debt and am willing to offer a settlement of \_\_\_\_\_cents on the dollar as payment in full.

According to my records, my balance is \$[amount]. Based on a settlement of \_\_\_\_\_cents on the dollar, I can make my payment in full of \$[amount] by [date].

If you accept this proposal, please be prepared to report this account as “paid in full” to all three credit reporting agencies once I have made the payments we agree upon, and indicate such in writing to me as soon as possible.

If you have any questions, please contact me at (305) 555-1111.

Thank you.

Sincerely,

Bruce Smith

**LETTER #20**

[Date]

President  
Company  
City, State, Zip

RE: UNAUTHORIZED CREDIT INQUIRY

Dear [President's name]:

I recently discovered that your company ran an unauthorized report on me on [date]. I did not authorize such an inquiry and demand that you contact [name of credit reporting agency] immediately and have your inquiry deleted from my credit file.

If you have any questions, please contact me at (305) 555-1111.

Thank you for your prompt attention to this matter.

Sincerely,

Bruce Smith  
Address  
City, State, Zip  
Social Security #

**LETTER #21**

[Date]

Federal Trade Commission  
Consumer Response Center  
600 Pennsylvania Ave., NW  
Washington, DC 20580

RE: CREDIT COMPLAINT LETTER

To Whom It May Concern:

I am writing to file a complaint against [creditor or credit reporting agency].

[Explain the situation and include names and telephone numbers of people you have spoken to.]

Over the past several months, I have tried to resolve this issue, but to no avail.  
Enclosed is documentation regarding my dealings with [company] to date.

I am requesting your assistance in putting an end to this matter. If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you for your assistance.

Sincerely,

Bruce Smith  
Address  
City, State, Zip

**LETTER #22**

[Date]

Federal Trade Commission  
Consumer Response Center  
600 Pennsylvania Ave., NW  
Washington, DC 20580

RE: PREDATORY LENDING COMPLAINT

To Whom It May Concern:

I am writing to file a complaint against [loan company] because of their predatory lending practices.

[Explain the situation and include names and telephone numbers of people you have spoken to.]

I am requesting that you investigate this company and take any appropriate regulatory action, including any necessary referrals to state agencies. It is important that we put an end to these types of deceptive and unethical business practices.

If you have any questions or need additional information, please contact me at (305) 555-1111.

Thank you for your assistance.

Sincerely,

Bruce Smith  
Address  
City, State, Zip

## Understanding Credit

### Self-Test Answer Key

#### QUESTIONS AND ANSWERS

1. *What are two reasons why good credit is important?*

To rent or buy things you want and need, save money by borrowing at a lower interest rate, get a job, lease rental property, open a checking account, establish utility services in your name and obtain insurance at a lower rate

2. *Before trying to buy a house, what is the first step you should take to make sure that your credit is in order?*

Order credit reports from all three of the major credit reporting agencies

3. *How many major credit reporting agencies are there?*

Three: TransUnion, Equifax and Experian

4. *How long does most negative information remain on a credit report?*

Seven years

5. *What are two examples of nontraditional credit?*

Rent payments; gas, electric and other utility payments; childcare or child support payments; and any other large, recurring expense

6. *What are three early warning signs of money or credit problems?*

Monthly creditor debt exceeds 20% of take-home pay, arguments with family members over bills, payment for bills made for small purchases over a year ago, frequently overdrawn checking account, no additions to savings, feeling “out of control” when faced with buying decisions, using savings to pay bills, frequent late payments, borrowing money to pay monthly bills, making only minimum payments on revolving accounts, credit balances that are higher each month, etc.

7. *What are two ways to reduce your risk of identity theft?*

Only give out Social Security number when needed, be cautious with personal information, shred items that contain personal information and account numbers, keep mail safe, store personal information in a safe place, don't carry unnecessary credit cards and paperwork, create unique passwords, pay attention to billing cycles, order a credit report at least once a year and opt out to limit amount of personal information that can be shared with others



**TRUE OR FALSE**

1. False. When consumers order copies of their own reports, there is no impact on the credit score.
2. False. A bankruptcy is supposed to be removed from a credit report after 10 years.
3. False. Credit scores can vary across credit reporting agencies, as the information contained in each of the credit reports may be different.
4. True
5. False. A credit reporting agency has 30 days to conduct an investigation of a disputed item.
6. True
7. False. Many lenders accept nontraditional credit as a means to prove creditworthiness for borrowers without credit histories.
8. False. There are a number of laws that protect the rights of consumers who use credit, including the Equal Credit Opportunity Act, the Truth in Lending Act, the Fair Credit Billing Act, the Fair Credit Reporting Act and the Fair Debt Collection Practices Act.

**MATCHING**

1. D
2. C
3. F
4. B
5. G
6. E
7. A



# Obtaining a *Mortgage Loan*







## 4: *Obtaining a Mortgage Loan*

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### CONTENTS

Activity: Mortgage Terminology Matching Exercise .....	111
Activity: Steps in Obtaining a Mortgage Loan Puzzle.....	112
Sticky Paper Activity: How Lenders Decide to Lend Money .....	115
Case Study: Determining Affordability .....	117
Sample Interest Factor Table .....	120
Worksheet: Calculating Your Gross Monthly Income.....	121
Worksheet: Total Monthly Debt.....	122
Worksheet: Prequalifying .....	123
Monthly Mortgage Loan Principal and Interest Payments .....	124
Sample Amortization Schedule .....	125
Worksheet: Mortgage Loan Comparison.....	126
Loan Documentation Checklist.....	127
Getting a Mortgage Loan Self-Test Answer Key.....	128



## ***Mortgage Terms and Definitions***

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### **Loan-to-Value**

The ratio of the loan balance you owe to the appraised value of the house

### **Down Payment**

The amount of cash you pay toward the purchase price

### **Buy Down**

Points you can pay in advance to lower the interest rate

### **Annual Percentage Rate (APR)**

The total rate you are paying, which includes the monthly interest, the points and other fees charged by the lender

### **Prepayment**

Paying more each month than the amount of your mortgage loan payment to pay off the loan sooner and save money on interest

### **PITI**

The whole mortgage payment: principal, interest, taxes and insurance

### **Escrow Account**

A special account set up by the lender to collect and pay for taxes and insurance

### **Mortgage Insurance**

A policy required by the lender if your down payment is less than 20 percent, to protect the lender in case you default

### **Interest Rate**

The cost of borrowing money

### **Loan Term**

The amount of time you have to pay off your loan

### **Loan Fees**

Costs associated with obtaining a mortgage

### **Point**

One percent of your loan amount

### **Underwriting**

The process of analyzing a borrower's finances to deny or approve a loan

### **Promissory Note**

A document in which the borrower promises to repay the loan

### **Amortization**

The process of paying off a loan with payments over a fixed time period

### **Principal**

The outstanding balance of a loan, excluding interest

### **Truth-In-Lending Statement**

A document that discloses the terms and cost of your mortgage loan, including the APR

### **Good Faith Estimate**

A document that discloses all of your settlement costs

## ***Matching Activity: Mortgage Terminology***

### **OVERVIEW**

Participants learn some of the terminology associated with the financing process. The objective is to help participants become familiar with mortgage terminology so they can proceed knowledgeably.

### **TIME**

15-20 minutes

### **MATERIALS**

Colored paper with mortgage terms and definitions

### **SETUP**

- Put each term and definition on separate pieces of paper.
- Mix up the terms and definitions.

### **ACTIVITY**

- Give each participant a piece of paper with a mortgage term or definition.
- Ask everyone to stand.
- Explain that each person now has a piece of paper with either a mortgage term or a definition. Each person must find another person who has the piece of paper with the corresponding term or definition (example: 4 Cs of Credit = Capital, Credit History, Capacity and Collateral). Let them know that when two people are matched, they should step aside to make room for those who remain unmatched.
- Conduct the activity.
- After all participants appear to be matched, ask everyone to read their terms and definitions aloud and in turn.
- Review the mortgage terms and the correct definitions using an overhead, flipchart or PowerPoint.

### **DEBRIEFING**

1. How many of you were familiar with most of the mortgage terms?
2. Which terms were unfamiliar to you?

## ***Activity: Steps in Getting a Mortgage Loan Puzzle***

### **OVERVIEW**

Participants determine the correct order of the major steps in getting a mortgage loan. The objective is to give participants an overview of the mortgage financing process.

### **TIME**

15-20 minutes

### **MATERIALS**

- Puzzle pieces with steps in getting a mortgage loan
- Envelopes

### **SETUP**

- Make enough copies of the pages with the puzzle pieces for small groups (4-5 participants), partners or individuals, depending on the size of the group.
- Cut out individual puzzle pieces.
- Divide the puzzles into envelopes (one puzzle per envelope), and label “Steps in Getting a Mortgage Loan Puzzle.”

### **ACTIVITY**

- Give each team or individual an envelope containing the puzzle.
- Explain to the participants that the envelopes contain seven major steps in the financing process and they are to organize the steps in the order in which they think the steps would occur.
- Conduct the activity.
- After 15 minutes, ask each team or individual to report on the puzzle.
- Review the correct order of the steps using an overhead, flipchart or PowerPoint. Compare and discuss the results.

### **DEBRIEFING**

1. Do you agree with the “correct” order? If not, why not?
2. Are there any important steps you would add or remove?
3. Did this activity help you learn more about the financing process? Were there any steps that surprised you?



Puzzle Pieces: Steps in Getting a Mortgage Loan

**Loan Application**

**Approval**

**Research**

**Underwriting**

**Pre-approval**

**Loan Closing**

**Loan Processing**

## **Puzzle Answer Key: Steps in Getting a Mortgage Loan**

1. Research
2. Pre-approval
3. Loan Application
4. Loan Processing
5. Underwriting
6. Approval
7. Loan Closing

## ***Sticky Paper Activity:***

### ***How Lenders Decide to Lend Money***

#### **OVERVIEW**

Participants evaluate and share priorities on how lenders decide to lend money. The objective is to help participants understand the meaning behind the 4 C's of credit.

#### **TIME**

20-30 minutes

#### **MATERIALS NEEDED**

- Ten sheets of colored paper with symbols
- Tape
- Index cards
- Markers

#### **SETUP**

- Tape the sheets of colored paper with symbols in a row on the wall.
- Beneath each sheet of paper, hang a strip of tape sticky side up.

#### **ACTIVITY**

- Give each participant four or five index cards.
- Explain that they are to think of themselves as lenders and that someone who wants to borrow \$100,000 has just come in.
- Then ask participants to think of the four or five things they would want to know about the potential borrower (in a word, a phrase or a sentence, such as, "How many other people does he owe money to?") and to write those things on four or five separate index cards.
- After participants have completed their cards, ask them to stand with their cards facing the symbols.
- Explain that the symbols do not mean anything but are there as guides to help the instructor place similar items under the same symbol.
- Ask each participant to hand in one card to the instructor.
- Place the first card on any symbol.
- Place the remaining cards under the same or different symbols based on the group's feedback about what group they belong in. If the group disagrees about where a card should be placed, the person who completed the card makes the final decision.

- Ask for one more card from each participant and repeat the process until all the cards are placed under symbols. If this activity becomes too time consuming after a couple of rounds of cards, you can ask participants to only hand in cards that contain something different from those already posted.
- Once all the cards are posted, ask participants to name the category by summarizing the items under the symbol by completing the sentence, “Lenders decide to lend money based on...”

#### **DEBRIEFING**

What did you get out of this activity?

## *Case Study: Determining Affordability*

### **OVERVIEW**

Participants help the Murphys determine their housing affordability. The objective is to teach participants about calculating affordability so that they will know how to do it for themselves.

### **TIME**

30-40 minutes

### **MATERIALS**

- Written copies of the case study for all participants
- Paper and pencils for all participants
- Calculators
- Overhead transparency with completed affordability worksheet
- Transparency markers

### **SETUP**

- Make enough copies of the pages with the case study for all participants.
- Print the overhead transparency with the completed affordability worksheet.

### **ACTIVITY**

- Distribute copies of the case study to participants and ask them to divide up into small groups.
- Read the case study aloud.
- Give the groups 10-15 minutes to pretend that they know the Murphys and are helping them determine their housing affordability. Ask groups to complete the prequalifying worksheet based on the information in the case study.
- Bring the group back together and share the completed affordability worksheet with the class by using an overhead projector.

### **DEBRIEFING**

Do you now feel ready to prequalify yourself? Why? Why not?

## Case Study: Determining Affordability

Now that we've covered all the basic information you need to know to calculate affordability, you're ready to help the Murphy family figure out how much house they can afford. Read the following information and determine their affordability by using the prequalifying worksheet and the factor table.

### PERSONAL INFORMATION

Terrance and Wilma Murphy live with their children, Anita and Jerome, in a three-bedroom apartment in a large complex. The complex is crowded and noisy, and the children don't have a place to play. Last year, they established the goal of moving to a house within two years. They have been sticking to their budget and have managed to save \$1,200 toward a down payment. They have had several credit problems and have been working to clean up their credit record before they begin the purchase process.

Recently, Terrance and Wilma have been spending their weekends driving around looking at houses for sale. When they see the prices of homes these days, they usually go back to the apartment feeling discouraged. They really want to buy a house, but they don't know where to begin.

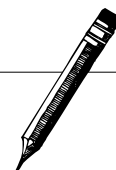
Perhaps you can help them get started by calculating their affordability. The Murphys checked their local paper for mortgage rates and terms offered by lenders in their area. They found a mortgage company that offers an 8.0 percent interest rate for a 30-year fixed-rate loan. The housing ratio for this product is 29 percent and the debt-to-income ratio is 41 percent.

<b>Prospective buyers:</b>	Terrance and Wilma Murphy
<b>Children:</b>	Anita and Jerome
<b>Occupations:</b>	Terrance: mechanic at a car dealership for seven years Wilma: full-time teacher's aide
<b>Combined gross monthly income:</b>	\$2,890
<b>Savings:</b>	\$1,200
<b>Debts:</b>	

Creditor	Balance Amount	Monthly Payment	Months Remaining
Macy's	\$800	\$16	50
ABC Furniture	\$2,100	\$52	40
Freeman's Auto	\$2,200	\$195	11
Visa	\$1,600	\$48	33
J.C. Penney	\$1,200	\$36	33
Ford Motor	\$4,000	\$159	25

**How does debt affect affordability?**

Assume that Wilma and Terrance opt to take out \$390 from their savings and make two payments on the car loan to Freeman's Auto. This debt could then be discounted (not counted) when determining affordability. In the margin of the prequalifying worksheet, recalculate their affordability without this monthly payment. How much did this \$390 payment buy them in affordability?



## The Murphys' Prequalifying Worksheet

**Total Gross Monthly Income** \$ \_\_\_\_\_ (1)  
*(from the Calculating Your Gross Monthly Income Worksheet)*

Total Gross Monthly Income x \_\_\_\_\_ % (housing ratio) \$ \_\_\_\_\_ (2)

Total Gross Monthly Income x \_\_\_\_\_ % (debt-to-income ratio) \$ \_\_\_\_\_ (3)

**Total Monthly Debt Payments** \$ \_\_\_\_\_ (4)  
*(from the Total Monthly Debt Worksheet)*

Subtract line (4) from line (3) \$ \_\_\_\_\_ (5)

**Maximum Mortgage Loan Payment Allowed** \$ \_\_\_\_\_ (6)  
 Enter whichever is less, line (2) or line (5)

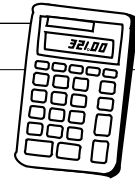
**Escrows** \$ \_\_\_\_\_ (7)  
 Multiply line (6) by 20% \* *(estimated taxes and insurance)*

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

**Affordability** \$ \_\_\_\_\_ (9)  
*(maximum principal and interest payment allowed)*  
 Divide line (8) by factor from sample factor table

**Maximum Mortgage Loan Amount** \$ \_\_\_\_\_  
 Multiply line (9) by \$1,000

\*percentage may be greater if mortgage insurance and/or homeowner association dues are required.



## Sample Interest Factor Table

### COST FOR EACH \$1,000 OF A MORTGAGE LOAN

Interest Rate	15-Year Loan	20-Year Loan	30-Year Loan
4.00	\$7.40	\$6.09	\$4.77
4.50	\$7.65	\$6.36	\$5.07
5.00	\$7.91	\$6.60	\$5.37
5.50	\$8.18	\$6.88	\$5.68
6.00	\$8.44	\$7.17	\$6.00
6.50	\$8.72	\$7.46	\$6.33
7.00	\$8.99	\$7.46	\$6.33
7.50	\$9.28	\$8.06	\$7.00
8.00	\$9.56	\$8.37	\$7.34
8.50	\$9.85	\$8.68	\$7.69
9.00	\$10.15	\$9.00	\$8.05
9.50	\$10.45	\$9.33	\$8.41
10.00	\$10.75	\$9.66	\$8.78
10.50	\$11.06	\$9.99	\$9.15
11.00	\$11.37	\$10.33	\$9.53
11.50	\$11.69	\$10.67	\$9.91
12.00	\$12.01	\$11.02	\$10.29

Source: McGraw Hill's Interest Amortization Tables, Third Edition, 2006



**If you are paid:**

Hourly \$ \_\_\_\_\_ X \$ \_\_\_\_\_ X 52 ÷ 12 months = \$ \_\_\_\_\_  
(pay before deductions) # of hours you work in 1 week gross monthly income

Weekly \$ \_\_\_\_\_ X 52 ÷ 12 months = \$ \_\_\_\_\_  
(pay before deductions) gross monthly income

Bi-weekly      \$ \_\_\_\_\_      X 26 ÷ 12 months=      \$ \_\_\_\_\_  
(pay before deductions)      gross monthly income

[illegible]

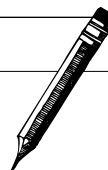
Once a Month    \$ \_\_\_\_\_    \$ \_\_\_\_\_  
                                (pay before deductions)    gross monthly income

Not regularly      \$ \_\_\_\_\_      ÷ 12 months=      \$ \_\_\_\_\_  
(income from last year's tax return before deductions)      gross monthly income

Other gross monthly income \$ \_\_\_\_\_

(Include gross monthly income from all other borrowers)

**Total Gross Monthly Income** \$ \_\_\_\_\_



# Total Monthly Debt Worksheet

## Your Total Monthly Debt Payments

Car Payment \$ \_\_\_\_\_

### Credit Cards

Card:

Monthly Payment

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Total monthly debt from credit cards \$ \_\_\_\_\_

### Loan Payments

Lender:

Monthly Payment

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Total monthly debt from loans \$ \_\_\_\_\_

### Childcare

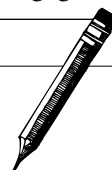
\$ \_\_\_\_\_ x 52 ÷ 12 \$ \_\_\_\_\_

Weekly cost for all children

### Total Monthly Debt

\$ \_\_\_\_\_

(Add monthly car payment, total monthly debt from credit cards,  
total monthly debt from loans, and monthly childcare payment)



## Worksheet: Prequalifying

### Total Gross Monthly Income

(from the Calculating Your Gross Monthly Income Worksheet )

\$ \_\_\_\_\_ (1)

Total Gross Monthly Income x \_\_\_\_\_ % (housing ratio)

\$ \_\_\_\_\_ (2)

Total Gross Monthly Income x \_\_\_\_\_ % (debt-to-income ratio)

\$ \_\_\_\_\_ (3)

### Total Monthly Debt Payments

(from the Total Monthly Debt Worksheet)

\$ \_\_\_\_\_ (4)

Subtract line (4) from line (3)

\$ \_\_\_\_\_ (5)

### Maximum Mortgage Loan Payment Allowed

Enter whichever is less, line (2) or line (5)

\$ \_\_\_\_\_ (6)

### Escrows

Multiply line (6) by 20% \* (estimated taxes and insurance)

\$ \_\_\_\_\_ (7)

### Maximum Principal and Interest Payment Allowed

Subtract line (7) from line (6)

\$ \_\_\_\_\_ (8)

### Affordability

(maximum principal and interest payment allowed)

Divide line (8) by factor from sample factor table

\$ \_\_\_\_\_ (9)

### Maximum Mortgage Loan Amount

Multiply line (9) by \$1,000

\$ \_\_\_\_\_

\*percentage may be greater if mortgage insurance and/or homeowner association dues are required.



## Monthly Mortgage Loan Principal and Interest Payments (numbers rounded off)

Loan Amount	4%	4.5%	5%	5.5%	6%	6.5%	7%	7.5%	8%	8.5%	9%	9.5%
\$50,000	\$238	\$253	\$268	\$284	\$300	\$325	\$333	\$350	\$367	\$384	\$402	\$420
\$60,000	\$286	\$304	\$322	\$341	\$360	\$380	\$400	\$420	\$440	\$461	\$483	\$505
\$70,000	\$334	\$355	\$376	\$398	\$420	\$443	\$466	\$490	\$514	\$538	\$563	\$589
\$80,000	\$382	\$406	\$430	\$454	\$480	\$506	\$533	\$560	\$587	\$615	\$644	\$673
\$90,000	\$429	\$456	\$483	\$511	\$540	\$570	\$599	\$630	\$661	\$599	\$724	\$757
\$100,000	\$477	\$507	\$537	\$568	\$600	\$633	\$666	\$700	\$734	\$769	\$805	\$841
\$110,000	\$525	\$558	\$591	\$625	\$660	\$696	\$733	\$770	\$807	\$846	\$885	\$925
\$120,000	\$572	\$608	\$644	\$682	\$720	\$760	\$799	\$840	\$881	\$923	\$966	\$1009
\$130,000	\$620	\$659	\$698	\$738	\$780	\$823	\$866	\$910	\$954	\$1000	\$1046	\$1093
\$140,000	\$668	\$710	\$752	\$795	\$840	\$886	\$932	\$980	\$1028	\$1077	\$1127	\$1177
\$150,000	\$715	\$760	\$805	\$852	\$900	\$949	\$999	\$1050	\$1101	\$1152	\$1207	\$1261
\$160,000	\$763	\$811	\$859	\$909	\$960	\$1013	\$1066	\$1120	\$1174	\$1230	\$1288	\$1346
\$170,000	\$811	\$862	\$913	\$966	\$1020	\$1076	\$1132	\$1190	\$1248	\$1307	\$1368	\$1430
\$180,000	\$859	\$913	\$967	\$1022	\$1080	\$1139	\$1199	\$1260	\$1321	\$1384	\$1449	\$1514
\$190,000	\$906	\$963	\$1020	\$1079	\$1140	\$1203	\$1265	\$1330	\$1395	\$1461	\$1529	\$1598
\$200,000	\$954	\$1014	\$1074	\$1136	\$1200	\$1266	\$1332	\$1400	\$1468	\$1538	\$1610	\$1682
\$225,000	\$1073	\$1141	\$1208	\$1278	\$1350	\$1424	\$1498	\$1575	\$1651	\$1730	\$1811	\$1892
\$250,000	\$1192	\$1267	\$1342	\$1420	\$1500	\$1582	\$1665	\$1750	\$1835	\$1922	\$2012	\$2102

## Sample Amortization Schedule

This chart is an amortization schedule for a \$70,000, 30-year mortgage at 8% interest. The monthly payment is \$513.64. The chart shows how much of your monthly payment repays the principal and how much goes to pay the interest.

Payment Number	Interest Portion	Principal Portion	Principal Balance
1	466.67	46.97	69,953.03
2	466.35	47.29	69,905.74
3	466.04	47.60	69,858.14
4	465.72	47.92	69,810.22
5	465.40	48.24	69,761.98
6	465.08	48.56	69,713.42
7	464.76	48.88	69,664.54
8	464.43	49.21	69,615.33
9	464.10	49.54	69,565.79
10	463.77	49.87	69,515.92
11	463.44	50.20	69,465.72
12	463.10	50.54	69,415.18
13	462.77	50.87	69,364.31
14	462.43	51.21	69,313.10
15	462.09	51.55	69,261.55
16	461.74	51.90	69,209.65
17	461.40	52.24	69,157.41
18	461.05	52.59	69,104.82
19	460.70	52.94	69,051.88
20	460.35	53.29	68,998.59
21	459.99	53.65	68,944.94
22	459.63	54.01	68,890.93
23	459.27	54.37	68,836.56
24	458.91	54.73	68,781.83
(Payments #25 through #346 are not shown)			
347	45.58	468.06	6,369.22
348	42.46	471.18	5,898.04
349	39.32	464.32	5,423.72
350	36.16	477.48	4,946.24
351	32.97	480.67	4,465.57
352	29.77	483.87	3,981.70
353	26.54	487.10	3,494.60
354	23.30	490.34	3,004.26
355	20.03	493.61	2,510.65
356	16.74	496.90	2,013.75
357	13.42	500.22	1,513.53
358	10.09	503.55	1,009.98
359	6.73	506.91	503.07
360	3.35	510.29	(7.22)

<b>Annual Interest Rate:</b>	8%
<b>Interest:</b>	\$114,910.40
<b>Present Value:</b>	\$70,000
<b># of Monthly Payments:</b>	360
<b>Payment Amount:</b>	\$513.64



## Worksheet: Mortgage Loan Comparison

	Lender 1	Lender 2	Lender 3
<b>Name of Lender</b>			
<b>Name of Loan Officer</b>			
<b>Phone Number</b>			
<b>Date</b>			
<b>Basic Information on the Loan</b>			
Loan program			
Loan amount requested			
Type of mortgage (fixed-rate, adjustable-rate or other)			
Minimum down payment required			
Loan term			
Interest rate			
Annual percentage rate			
Points			
Monthly mortgage insurance premiums (PMI or MIP)			
How long MI must be kept			
Estimated monthly escrow for taxes and hazard insurance			
Ratios			
Estimated monthly payment (PITI, MI)			
<b>Fees</b> (different lenders have different names for fees and may charge different fees)			
Application fee			
Origination fee			
Processing fee			
Underwriting fee			
Appraisal fee			
Credit report fee			
Document preparation fee			
Broker fees			
Other fees			
<b>Other Loan Considerations</b>			
Is there a prepayment penalty?			
How much is the penalty?			
How long does the penalty period last?			
Rate lock-in			
Is the rate lock-in in writing?			
Is there a fee?			
When does lock-in occur?			
How long will the lock-in last?			
<b>Adjustable-Rate Loan Considerations</b>			
What is the initial rate?			
How long does the initial rate last?			
How frequently does the rate change after the initial period?			
What are the rate caps for the first adjustment, each adjustment after that and over the life of the loan?			
What index will be used?			
What is the margin?			
What could be the highest monthly payment?			
Can the loan be converted to a fixed-rate?			
Cost of conversion option			

Source: Federal Interagency Task Force on Fair Lending



## Loan Documentation Checklist

### General Documents

- ☐ Social Security card and driver's license or other picture ID

### Documents to Support Income

- ☐ The name, address, phone number and fax number of every employer you have had in the last two years
- ☐ Most recent two months' pay stubs
- ☐ Income tax returns for the last two years

### Evidence of All Other Income, including:

- ☐ Child support payments
- ☐ Pension payments
- ☐ Seasonal employment income
- ☐ Government assistance
- ☐ Social Security benefits
- ☐ Statements of stock dividends

### Documents to Support History of Consistently Paying Housing Expenses

- ☐ Letters from landlords stating where you lived for the last two years, dates you lived there, rent per month and how many times you were late with your rent payment. If you cannot get a letter from the landlord, you should provide the name, address and telephone number of each landlord for the past two years, the amount of your monthly rent payments, and 12 months of rent receipts or canceled checks for each landlord for the past two years.

### Documents to Support Savings and Recent Bank Activity

- ☐ Most recent savings account statement(s)
- ☐ Most recent checking account statement(s)
- ☐ Most recent brokerage statements showing stock and bond balances and recent transactions

### Documents to Support Current Debts

- ☐ For each creditor (bank, credit card or person) with whom you have an outstanding debt: name, address, account number, balance, monthly payment

### Documents to Explain Irregularities

- ☐ Letter of explanation for any negative credit items
- ☐ Letter of explanation for any gap in employment
- ☐ Chapter 7 or Chapter 13 bankruptcy discharge papers and list of creditors

### Other

- ☐ Veteran's certificate of eligibility
- ☐ Certified copies of divorce decree and separation agreement
- ☐ Name, address and phone number of the person to whom you pay childcare

## ***Obtaining a Mortgage Loan***

### ***Self-Test Answer Key***

#### **QUESTIONS AND ANSWERS**

1. What does a house payment normally include?  
Principal, interest, taxes and insurance
2. What are the 4 C's of credit?  
Credit history, capital, capacity and collateral
3. What is the housing ratio?  
The maximum percentage of a borrower's gross monthly income that can be used for monthly housing expenses
4. What are three sources of mortgage loans?  
Banks and other financial institutions, government agencies, nonprofit organizations, sellers and financing facilitators
5. What are two legal reasons for mortgage loan application denial?  
High debt, insufficient funds, low appraisal and poor credit rating

#### **TRUE OR FALSE**

1. False. A conventional loan is not insured or guaranteed by the federal government.
2. False. A subprime loan is a loan that can serve someone with less-than-perfect credit. The worse the credit rating is, the higher the interest rate and other costs will be. A predatory loan charges exorbitant rates and fees – costs that are over and above what is needed to compensate for risk.
3. True
4. False. You will also need to pay for closing costs to get a mortgage loan.
5. True
6. True
7. False. Mortgage insurance protects the lender in the event of default.
8. False. When comparing loan products, there many things to consider in addition to interest rate, such as the loan amount, the annual percentage rate, loan terms, down payment requirements, monthly payment amounts, fees and prepayment penalties.

#### **MATCHING**

- |      |      |
|------|------|
| 1. H | 5. D |
| 2. C | 6. B |
| 3. F | 7. E |
| 4. A | 8. G |



# Shopping for a *Home*







## 5: *Shopping for a Home*

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### CONTENTS

Activity: Steps in the Homebuying Process Puzzle .....	132
Activity: Key Players in the Homebuying Process .....	136
Activity: Neighborhood Values Auction Activity .....	138
Activity: The Bean Game .....	140
Prospective Agents' Profiles .....	143
Neighborhood Checklist .....	144
Worksheet: Homebuyer's Wish List .....	145
House-Hunting Checklist .....	146
How to Look at Houses .....	147
Homeowners Insurance Consumer Quote Guide .....	148
Shopping for a Home Self-Test Answer Key .....	149



## ***Activity: Steps in the Homebuying Process Puzzle***

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### **OVERVIEW**

The objective is to give participants an overview of the homebuying process by their determining the correct order of the major steps.

### **TIME**

15-20 minutes

### **MATERIALS**

- Puzzle pieces with steps in the homebuying process
- Envelopes

### **SETUP**

- Make enough copies of the pages with the puzzle pieces for small groups (4-5 participants), partners or individuals, depending on the size of the group.
- Cut out individual puzzle pieces.
- Divide the puzzles into envelopes (one puzzle per envelope) and label “Steps in the Homebuying Process Puzzle.”

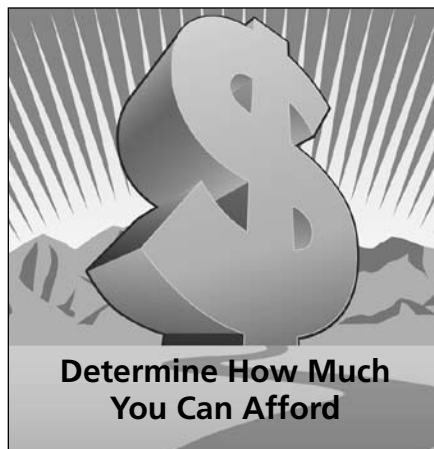
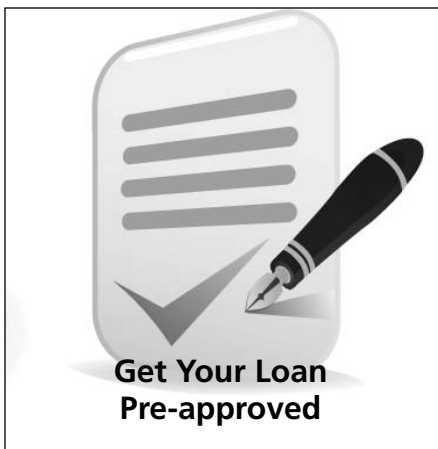
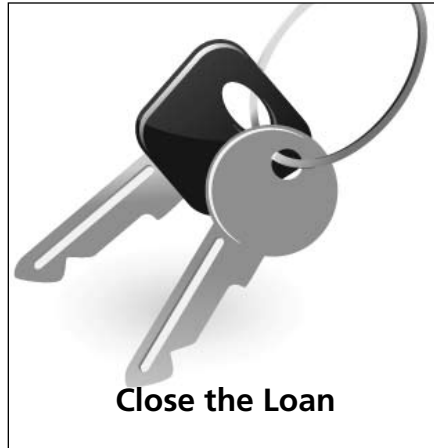
### **ACTIVITY**

- Give each team or individual an envelope containing the puzzle.
- Explain that the envelopes contain 10 major steps in the homebuying process. Participants are to organize the steps in the order that they think the steps would occur.
- Conduct the activity.
- After 15 minutes, ask each team or individual to report on the puzzle.
- Review the correct order of the steps of the homeownership process. Use an overhead, flipchart or PowerPoint. Compare and discuss the results.

### **DEBRIEFING**

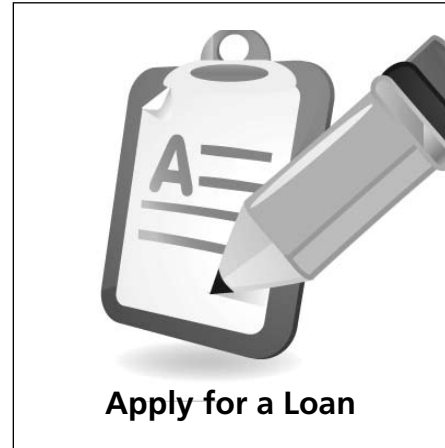
1. Do you agree with the “correct” order? If not, why not?
2. Are there any important steps you would add or remove?
3. Did this activity help you learn more about the homebuying process? Were there any steps that surprised you?

## Steps in the Homebuying Process Puzzle Pieces



## Steps in the Homebuying Process Puzzle Pieces

*(continued from previous page)*



## Steps in the Homebuying Process Puzzle

### Answer Key

1. Attend homebuyer education classes
2. Determine how much you can afford to spend
3. Get loan pre-approved
4. Decide what kind of house you need
5. Shop for a home
6. Make an offer
7. Inspect the home
8. Apply for a loan
9. Get insurance and additional inspections
10. Close the loan

## ***Activity: Key Players in the Homebuying Process***

### **OVERVIEW**

Participants recall the jobs of the key players in the homebuying process.

### **TIME**

15-20 minutes

### **MATERIALS**

Flipchart with a list of panelists

### **SETUP**

- Make a flipchart that lists the housing professional panelists.
- Ask for participants to volunteer to serve as panelists.

### **ACTIVITY**

- Ask volunteers to stand in a line at the front of the room.
- Divide the participants into small groups.
- Explain that each panelist represents a player in the homebuying process whose identity is currently hidden. Tell participants that they are to ask panelists “yes” or “no” questions to try and identify them. After they’ve asked a particular panelist enough questions about what she/he does, they may try to guess who she represents. For example, they may start by asking Panelist 1, “Do you crawl under houses?” However, they may not start by asking Panelist 1 if she’s a housing inspector.
- Conduct the activity, allowing each team to ask some of the questions. When someone’s identity is correctly identified, have him/her sit down, and place a check mark next to the professional listed on the flipchart.
- Stop the activity after all the housing professionals have been identified.

### **DEBRIEFING**

Which housing professionals were easy to identify? Which ones were not?



## Housing Professionals and Their Roles

Professional	Role
Homeownership Counselor	Provides education and support to buyers throughout the process to help prepare them for successful homeownership.
Real Estate Agent	Helps buyers find houses that fit their needs and budget.
Lender	Provides the home loan.
Housing Inspector	Checks the structure and mechanical parts of a property.
Appraiser	Determines the market value of a home based on condition and selling price of comparable homes recently sold in the area.
Attorney	Depending on the state, writes the real estate contract, searches the title, conducts closings and settles disputes.
Escrow Officer	Ensures that all documents are completed properly and collects fees and gives them to the appropriate parties for the closing meeting, where ownership is transferred from seller to buyer.
Title Insurance Officer	Researches the history of a home's previous owners and provides a report of who owned the home.
Surveyor	Checks the measurements of a property and the land around it.
Insurance Agent	Provides homeowners insurance policy to protect a home from casualty and liability.
Mortgage Insurer	Provides insurance to cover the lender's loss if a borrower can't make the mortgage payments.
Loan Servicer	Collects payments and manages late payments once the loan closes.
Secondary Market	Buys the loan from lenders to provide money for future lending activities.

## ***Activity: Neighborhood Values Auction***

### **OVERVIEW**

Participants evaluate and share some of their priorities in choosing a neighborhood. They also appreciate the values and choices of others. This activity encourages participants to think critically about what they want in a neighborhood.

### **TIME**

20-30 minutes

### **MATERIALS**

- 20 sheets of paper with one phrase or item on each (see auction items list)
- Fake \$20 bills
- About 15 white envelopes and 15 \$100 labels
- A fast talker to play the auctioneer

### **SETUP**

- Place five \$20 bills in each of the 15 envelopes and put the \$100 stickers on each envelope.
- Tape the values on the wall where all participants can see them.
- Ask for volunteers to be part of the auction, and give one envelope to each of them.
- Ask for a volunteer to be the banker and collect the cash when items are bought. The banker also makes change when needed.
- Explain that the remaining participants are observers. Their role is to pay attention to things such as which items sold for the most and the least and the body language and comments of the bidders.
- Before the bidding begins, read through the complete list of items to be auctioned.
- Tell the auction participants to bid on those things that are most important to them personally, to bid in multiples of 20, to bid out loud so everyone can hear, and not to be afraid to bid against each other.

### **ACTIVITY BEGINS**

- Start the bidding. The bidding process should be fast paced.
- When all the items are sold, ask the observers to report their findings, opinions and observations.

### **DEBRIEFING**

- Who got the values they wanted the most?
- Why did you choose your value(s)?
- Why is it so important for you to shop for the right neighborhood?

## Sample Auction Items

1. Close to Good Daycare
2. Well-Maintained Homes
3. Lots of Children
4. Nearby Freeway Access
5. Quiet
6. Low Taxes
7. Good Restaurants
8. Big Yard
9. Nearby Park
10. Lots of Neighborhood Services
11. Nearby Grocery Store
12. Nearby Public Transportation
13. Active Community Groups
14. Wealth
15. Low Crime
16. Diversity
17. Helpful and Friendly Neighbors
18. Recreation Center with Playground and Pool
19. Good Schools
20. Close to Employment

## ***Activity: The Bean Game***

### **OVERVIEW**

This activity encourages participants to think critically about what it is they want in a house. Participants evaluate and share some of their priorities in selecting a home as well as their financial constraints.

### **TIME**

20-30 minutes

### **MATERIALS**

- Copies of the bean game
- Beans
- Small plastic bags

### **SETUP**

- Make enough copies of the bean game for all participants.
- Fill enough bags with 20 beans per bag for all the participants.

### **ACTIVITY**













- Give each participant a copy of the bean game and a bag containing 20 beans.
- Explain that each participant now has a “20-Bean Budget” to spend on housing and that the circles on the bean board indicate the “cost” of each item. Point out that there aren’t enough beans to buy everything in column B or column C.
- Encourage participants to consider what is most important to them as they choose how to spend their beans. Tell each participant to choose column A, B or C in each row, then place the appropriate number of beans in the selected squares to indicate his or her spending choices. Each participant should choose one square in each row and, if they have enough beans, in the optional row as well.
- After 20 minutes, stop the activity and begin debriefing.
















### **DEBRIEFING**

- What were the most important items for you?
- What were the least important items?
- Was it difficult to stay within the allotted number of beans?
- How many of you were able to buy a home you could be happy with using your 20-bean budget?
- Were you able to differentiate between your needs and wants?
- How many of you had extra beans?
- What lessons did you learn from this activity?

## The Bean Game

If you had a “20-Bean Budget” to spend on housing, what would you spend it on? Place your beans in the circles to indicate your spending choices. Hint: you won’t have enough beans to get everything in column B or column C.

Feature	A	B	C
Location	Zoned multifamily or commercial; heavy traffic	Zoned multifamily or single-family; moderate traffic 	Zoned single-family; light traffic 
Lot Size	Houses are close together; not much private, outdoor space	Houses are separated; moderate amount of private outdoor space 	Houses are far apart; more than enough privacy 
Landscaping	A few shrubs; no trees	More shrubs; small trees 	Many shrubs; large trees 
House Size	Small: less than 1,000 square feet	Moderate: 1,500 square feet 	Large: over 2,000 square feet 
Size of Rooms	Small	Medium 	Large 
Number of Bedrooms	2 bedrooms	3 bedrooms 	4 or more bedrooms 

Feature	A	B	C
Quality of Structure	Foundation, roof and building materials are lowest quality	Average quality 	Good quality 
Quality of Systems	Plumbing, electrical and heating systems are lowest quality	Average quality 	Good quality 
Energy Efficiency	Few energy-saving features	Some energy-saving features 	Many energy-saving features 
Quality of Interior	Floors, walls, cabinets and lighting are lowest quality	Average quality 	Good quality 
Storage	Minimum storage	Average storage 	Good storage 
Bathrooms	1 bath	1 1/2 bathrooms 	2 or more baths 
Options	Garage 	Full basement 	Family room 

## *Prospective Agents' Profiles*

Name of firm

---

Phone number

---

Managing broker

---

Recommended agent

---

How many years has the agent sold real estate full time?

---

Is the agent well informed about your targeted community?

---

In general, what services will the agent and firm provide?

---

During your meeting, did the agent pay attention to your concerns?

---

Would you enjoy working with this person?

---

Miscellaneous notes:

---

---

---

---

Name of firm

---

Phone number

---

Managing broker

---

Recommended agent

---

How many years has the agent sold real estate full time?

---

Is the agent well informed about your targeted community?

---

In general, what services will the agent and firm provide?

---

During your meeting, did the agent pay attention to your concerns?

---

Would you enjoy working with this person?

---

Miscellaneous notes:

---

---

---

---



## Neighborhood Checklist

1 = Weakest      5 = Strongest

### Community Services

Schools	1	2	3	4	5
Childcare	1	2	3	4	5
Parks/recreational facilities	1	2	3	4	5
Religious institutions	1	2	3	4	5
Hospitals	1	2	3	4	5
Entertainment	1	2	3	4	5
Police station	1	2	3	4	5
Fire station	1	2	3	4	5

### Convenience

Close to job	1	2	3	4	5
Near grocery and other stores	1	2	3	4	5
Near public transportation	1	2	3	4	5
Easy access to highway	1	2	3	4	5

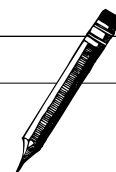
### Neighbors

Near relatives or friends	1	2	3	4	5
Children	1	2	3	4	5
Active community groups	1	2	3	4	5

### Other

Write in things that are important to you.	1	2	3	4	5
	1	2	3	4	5
	1	2	3	4	5





## Worksheet: Homebuyer's Wish List

Features	Wants	Needs	Features	Wants	Needs
<b>Location</b>			<b>Exterior</b>		
School district			Brick		
Neighborhood			Stucco		
Public transportation			Wood siding		
Churches and organizations			Vinyl siding		
Quiet			Landscaping		
Parks and recreation			Porch		
Near friends and family			Deck		
Near work			Large yard		
Near shopping			Fence		
Other			Garage		
			Driveway		
			Other		
<b>Style</b>			<b>Mechanical Systems</b>		
Older			Forced air heat		
Newer			Radiator		
Traditional			Central air conditioning		
Contemporary			Other		
Two-story					
Split-level					
Detached					
Multifamily					
Condo					
Other					
<b>Interior</b>					
House Size					
Number of bedrooms					
Number of bathrooms					
Kitchen size					
Kitchen appliances					
Living room size					
Dining room					
Laundry room					
Closet space and storage					
Finished basement					
Hardwood floors					
Carpets					
Fireplace					
Other					



## House Hunting Checklist

Address \_\_\_\_\_

Asking Price \$ \_\_\_\_\_

Number of Bedrooms \_\_\_\_\_

**Neighborhood** (how it looks and feels, transportation, schools, shopping)

**Satisfactory?**

yes no

**House Style** (older, newer, two-story, detached, condo, etc.)

**Construction** (type and quality)

**Pluses and Minuses** (what you like and what you don't like about the house)

### Monthly Cost of Utilities

Natural gas     \$ \_\_\_\_\_  
 Fuel oil         \$ \_\_\_\_\_  
 Electric          \$ \_\_\_\_\_  
 Water            \$ \_\_\_\_\_  
 Sewer            \$ \_\_\_\_\_  
 Trash collection \$ \_\_\_\_\_

### Heating and Ventilation

Heat pump            ☐  
 Forced air            ☐  
 Radiator (hot water) ☐  
 Central air conditioning ☐  
 Window air conditioners ☐  
 Ceiling fans         ☐  
 Other: \_\_\_\_\_

### Condition of Rooms

Master bedroom		
Second bedroom		
Guest bedroom		
Living room		
Dining room		
Kitchen		
Bathrooms		
Other rooms		
Basement (finished/unfinished)		

### Condition of Appliances (Staying)

Stove		
Refrigerator		
Dishwasher		
Washing machine		
Dryer		

### Other Features

Lot size		
Garage		
Porch		
Fireplace		
Landscaping		

**Notes:** \_\_\_\_\_

## How to Look at Houses

### Water where it shouldn't be. Look for:

- Stains on basement walls
- Stains on ceilings
- Moss, mildew or stains on lower siding
- Stains or mildew on underside of roof
- Soggy areas in yard
- Eroded areas in walkway or driveway

### Building lines that are not straight or true. Look for:

- Roof that sags in middle
- Walls that curve
- Windows or doors that look crooked
- Porches that lean or sag

### Structural problems. Look for:

- Diagonal cracks above doors and windows
- Slipping or shifted foundation
- Floors that feel spongy or uneven
- Inside doors or windows that don't fit
- Houses that are built on wood posts or sill beams on ground

### Utility systems' problems. Look for:

- Very high heating or air-conditioning bills (ask to see the bills)
- Leaking plumbing, especially the main water line (turn on the water and look at the pipes)
- Main electrical service that is too small (turn many lights and appliances on at the same time to see if they blow a fuse or circuit breaker)
- Odd smells, such as sewer gas
- Single-pane windows that offer little insulation
- Lack of insulation in attic (there should be thick insulation)

### Serious finish problems. Look for:

- Signs of termites or ants
- Old, flaky paint on sills or trim or exterior
- Floor covering that is worn in large areas
- Siding that is wavy or spongy
- Underneath roof cover that is seriously worn or has many layers

## Homeowners Insurance Consumer Quote Guide

Use the following guide to help you compare what you are buying.

	Quote #1		Quote #2		Quote #3	
What are you buying?	Amount of Coverage	Cost	Amount of Coverage	Cost	Amount of Coverage	Cost
<b>Property Coverage</b>						
Dwelling						
Replacement cost						
Actual cash value						
Other structures						
Garage						
Other						
Contents (personal property)						
Contents Endorsements (extra coverage for)						
Antiques						
Jewelry						
Furs						
Silverware						
Money						
Business property on premises						
Business property off premises						
Electronic data processing equipment						
<b>Liability Coverage</b>						
Liability						
Medical Payments						
<b>Additional Protection</b>						
Fire department charges						
Debris removal						
Trees and shrubs						
Other						
Other						
<b>Optional Coverage</b>						
Sewer back-up						
Mine subsidence						
Flood						
Earthquake						
Other						
<b>Any Discounts?</b>						
Protective devices						
New/renovated home						
55 and retired						
Fire resistive						
Other						
<b>Total Annual Cost</b>						

## ***Shopping for a Home Self-Test Answer Key***

### **QUESTIONS AND ANSWERS**

**1. What is the difference between a home inspection and an appraisal?**

A home inspection is used to evaluate the structural and mechanical soundness of a property, and an appraisal is used to determine a property's fair market value

**2. What are three ways to find houses for sale?**

Contact a real estate professional, drive through neighborhoods you've selected, read the newspaper real estate section, check real estate shopping guides, visit open houses, visit new home subdivisions, look for foreclosed homes, attend auctions, attend tax and foreclosure sales, contact nonprofit organizations, ask friends and relatives, and look at homes for sale by owner

**3. What are three different ways to own a property?**

Sole and separate; joint tenancy; and tenancy in common

**4. What are three things that you would find in an offer or purchase contract?**

The price, the amount of earnest money, legal names of buyers and sellers, the address of the house, closing date and other important dates, how you intend to pay for the property, list of property seller is expected to leave in the house, contingencies, breakdown of costs and who pays for them and time limit for seller acceptance

**5. What are two things that you need to do to prepare for closing?**

Do a final walk-through inspection, get a copy of the HUD-1 Settlement Statement, get a cashier's check, sign the mortgage papers to borrow money and call utility companies to arrange to have the utilities transferred to your name

**6. What is the typical range for closing costs?**

Two to seven percent

**TRUE OR FALSE**

1. True
2. False. The list agent is the person who has a contract with the seller of a house to advertise the property for sale and to represent the seller of a house when offers are made. A listing agent legally represents the seller and is required to get the best terms and conditions for the seller.
3. True
4. False. Mortgage life insurance is optional.
5. True
6. False. Flood coverage is generally not included with standard homeowners insurance.
7. True
8. True

**MATCHING**

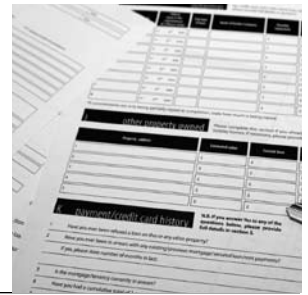
1. H
2. C
3. F
4. D
5. A
6. E
7. B
8. G

# Protecting Your *Investment*









## 6: *Protecting Your Investment*

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### CONTENTS

Activity: Repair or Improvement? .....	154
Activity: My Ideal Neighborhood.....	157
Activity: “Jeopardy” .....	159
Home Maintenance Checklist.....	164
Refinancing Estimator .....	165
Protecting Your Investment Self-Test Answer Key .....	166



## *Activity: Repair or Improvement Quiz*

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### **OVERVIEW**

Participants distinguish between a repair and an improvement.

### **TIME**

5-10 minutes

### **MATERIALS**

- Copies of the repair or improvement quiz
- Pencils

### **SETUP**

- Make enough copies of the repair or improvement quiz for each participant.

### **ACTIVITY**

- Give each participant a copy of the quiz and a pencil.
- Explain that they can work individually or in small groups to complete the quiz. Tell them to decide whether each item is a repair or an improvement.
- Conduct the activity.
- After five minutes, review the answers.

### **DEBRIEFING**

1. Do you agree with the answers? If not, why not?
2. Did this exercise help you learn more about the difference between a repair and an improvement?

## Repair or Improvement Quiz

	REPAIR	IMPROVEMENT
1. Installing a new roof	<input type="checkbox"/>	<input type="checkbox"/>
2. Adding a bedroom	<input type="checkbox"/>	<input type="checkbox"/>
3. Finishing a basement	<input type="checkbox"/>	<input type="checkbox"/>
4. Building a deck	<input type="checkbox"/>	<input type="checkbox"/>
5. Refinishing a wood floor	<input type="checkbox"/>	<input type="checkbox"/>
6. Replacing a storm door	<input type="checkbox"/>	<input type="checkbox"/>
7. Installing a concrete driveway	<input type="checkbox"/>	<input type="checkbox"/>
8. Painting the living room	<input type="checkbox"/>	<input type="checkbox"/>
9. Installing a fence	<input type="checkbox"/>	<input type="checkbox"/>
10. Replacing the water heater	<input type="checkbox"/>	<input type="checkbox"/>
11. Adding a screened porch	<input type="checkbox"/>	<input type="checkbox"/>
12. Installing central air and heat	<input type="checkbox"/>	<input type="checkbox"/>
13. Replacing a bath vanity	<input type="checkbox"/>	<input type="checkbox"/>
14. Expanding the garage	<input type="checkbox"/>	<input type="checkbox"/>
15. Waterproofing the basement	<input type="checkbox"/>	<input type="checkbox"/>

## Repair or Improvement Quiz Answer Key

1. Repair
2. Improvement
3. Improvement
4. Improvement
5. Repair
6. Repair
7. Improvement
8. Repair
9. Improvement
10. Repair
11. Improvement
12. Improvement
13. Repair
14. Improvement
15. Repair

## ***Activity: My Ideal Neighborhood***

### **OVERVIEW**

Participants have an opportunity to quantify what qualities constitute a neighborhood where people feel connected. It encourages participants to focus on what each is seeking in terms of his or her ideal community.

### **TIME**

20-30 minutes

### **MATERIALS**

- Markers
- Flipchart paper
- Newsprint
- Masking tape

### **SETUP**

Lead a short discussion with the goal of reaching some consensus about what qualities the participants would look for in an ideal neighborhood. Then direct the group to focus the conversation on the aesthetics of an ideal neighborhood and the initiatives and projects an ideal neighborhood would generate. Write the key characteristics of an ideal neighbor and neighborhood on the flipchart.

### **ACTIVITY**

- Divide the class into five groups and have each group pick a team leader/spokesperson.
- Assign the following tasks:

#### **GROUP 1**

Members construct a scenario that features “good,” “bad” and “mediocre” personalities as neighbors, and everyone on the team plays one of those roles. Encourage the players to use humor as much as possible to demonstrate the behaviors of the characters they choose to portray. The group will perform the play for the rest of the group.

#### **GROUP 2**

This group uses newsprint to create in color a large mural of its concepts of an ideal neighborhood. The spokesperson will share the visual depiction with the entire group.

**GROUP 3**

This group imagines that they live in a neighborhood with no neighborhood association. They discuss how to develop and organize an association, with specific goals and objectives for the community. The group will outline action steps, incremental goals and overall objectives of the association. The team leader will share the results with the class.

**GROUP 4**

This group will imagine that they live in a neighborhood with an association that would benefit from the involvement of more neighbors. They will outline on the flip-chart a yearlong calendar of events, activities and projects aimed at increasing community participation. Examples of activities might include community yard sales, block parties, a tool swap program and a spruce-up-the-neighborhood day.

**GROUP 5**

This group formulates ideas about how to organize and maintain a secure and safe neighborhood with emphasis on security and activities for the neighborhood's children (example: a babysitting co-op). The group will outline on the flipchart an action plan and the team leader will share the plan with the group.

**DEBRIEFING**

Which of the ideas discussed today would you like to see happen in your neighborhood?

## ***Activity: “Jeopardy”***

### **OVERVIEW**

Participants review topics covered throughout the course. This fun activity gets the entire group involved in the learning process. It encourages good-natured competition and is an excellent confidence-building tool for the prospective homebuyer. Jeopardy is most effective when used to review the key elements at the end of the training.

### **MATERIALS**

- 5 colors of pocket folders (6 of each color)
- Masking tape
- Half-page labels
- Flipchart
- Markers
- Prizes

### **SETUP**

- Choose five categories. Make labels for the categories. Place each label on a different color pocket folder.
- Choose five questions for each category. Print the Jeopardy answers on white paper and place them inside the appropriate color pocket folders. Make five sets of labels from \$100 to \$500. Place the labels on the folders.
- Print the winning questions on the back of the pocket folders.
- Hide two “daily doubles.”
- Tape all the pocket folders on the wall.

### **ACTIVITY**

- Divide participants into two teams on opposite sides of the room. Have each team choose a team name.
- Explain the rules of the game.
- Conduct the activity and record the scores.
- When all the questions have been answered, give the winning team a prize.

### **“Jeopardy” Rules**

- Each team must select a team captain to answer for the team after conferring with the group.
- All answers must be in the form of questions.
- Teams can choose any category for any dollar amount.
- Flip a coin to determine which team goes first.
- After the first round, the two teams take turns choosing and answering questions.
- If a team answers incorrectly, the other team gets an opportunity to answer (except on “daily doubles”).
- No points are subtracted (except on “daily doubles”).
- On “daily double” a team may wager up to the amount it has won so far. If the team answers correctly, it receives the amount it wagered. If the team answers incorrectly, it loses that amount. The other team may not try to answer.
- There is no “final jeopardy.”
- The team with the most money at the end wins.



## "Jeopardy" Categories, Questions and Answers

### UNDERSTANDING CREDIT

- \$100 Q: Companies that gather information about consumers who use credit and sell it to anyone with legitimate business purposes.
- \$100 A: What are credit reporting agencies?
- \$200 Q: An individual's credit history that is used by a lender to determine an applicant's creditworthiness.
- \$200 A: What is a credit report?
- \$300 Q: An account with a fixed amount of credit that requires equal payments over a specific time period.
- \$300 A: What is installment?
- \$400 Q: The length of time most public records remain on your credit report.
- \$400 A: What is seven years?
- \$500 Q: Rent payments, utility payments, child support payments and other large, recurring expenses.
- \$500 A: What is nontraditional credit?

### GETTING A MORTGAGE

- \$100 Q: A mortgage in which the interest rate does not change during the entire term of the loan.
- \$100 A: What is a fixed-rate loan?
- \$200 Q: A type of mortgage not insured by the federal government.
- \$200 A: What is a conventional loan?
- \$300 Q: A type of mortgage in which the interest rate changes periodically, up or down, usually once or twice a year.
- \$300 A: What is an adjustable-rate mortgage?
- \$400 Q: A type of seller financing where legal ownership does not transfer to the buyer until the loan is paid off.
- \$400 A: What is contract for deed?
- \$500 Q: Purchasers of mortgage loans that help make affordable lending products.
- \$500 A: What are secondary market investors?

### **SHOPPING FOR A HOME**

\$100 Q: A condition put in an offer to buy a home.

\$100 A: What is contingency?

\$200 Q: Funds submitted with an offer to show good faith to follow through with the purchase.

\$200 A: What is earnest money?

\$300 Q: A professional opinion of the market value of the property.

\$300 A: What is an appraisal?

\$400 Q: A legal document conveying title to the property.

\$400 A: What is a deed?

\$500 Q: A type of ownership where all owners have an equal and undivided interest in the property.

\$500 A: What is joint tenancy?

### **INSURANCE**

\$100 Q: Protects lenders and homeowners against property loss due to problems with past ownership.

\$100 A: What is title insurance?

#### **"Daily Double"**

\$200 Q: Two ways homeowners might get discounts on their homeowners insurance premium.

\$200 A: What are smoke detectors and security systems?

\$300 Q: A policy written to protect the lender against default by the homebuyer.

\$300 A: What is mortgage insurance?

\$400 Q: Money from the buyer's monthly payment set aside to cover taxes and insurance.

\$400 A: What is an escrow account?

\$500 Q: An optional type of insurance that pays off the mortgage if the breadwinner dies.

\$500 A: What is mortgage life insurance?

**FEES**

\$100 Q: Costs the buyer must pay at the time of settlement in addition to the down payment.

\$100 A: What are closing costs?

\$200 Q: A fee equal to 1 percent of the principal amount being borrowed.

\$200 A: What is a point?

**“Daily Double”**

\$300 Q: A fee charged by the lender to cover administrative costs for evaluating, preparing and submitting a proposed mortgage loan.

\$300 A: What is origination fee?

\$400 Q: An upfront fee paid to lower the interest rate

\$400 A: What is discount point or buy down?

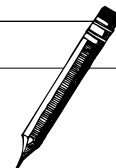
\$500 Q: The total cost of credit, including interest, points and certain fees charged by the lender.

\$500 A: What is the annual percentage rate.?

## Home Maintenance Checklist

Timing is everything, especially when it comes to home maintenance. Maintenance performed regularly can help maximize the lifespan of your home and its systems and prevent expensive problems. Timing may vary according to where you live. This checklist is designed to give you basic suggestions from which you can pick and choose what's right for you, your home, your location and your family.

Tasks	S P R I N G	F A L L	A N N U A L
<b>Foundation and Basement</b>			
Inspect for signs of termites and wood decay			✓
Check grading to assure that water will drain away from foundation			✓
Check basement for dampness or leaking following wet weather			✓
<b>Doors and Windows</b>			
Check doors, windows and trim for finish failure	✓	✓	
Check glazed openings for loose putty	✓	✓	
Check for broken glass and damaged screens	✓	✓	
Take down screens (if removable); clean and store them		✓	
Lubricate window hardware	✓	✓	
Check weatherstripping for damage and tightness of fit	✓	✓	
Check caulking at doors, windows and all other openings and joints between different materials (e.g., wood and masonry)	✓	✓	
<b>Exterior Walls</b>			
Check masonry for cracks and loose joints	✓	✓	
Check painted surfaces for paint failure	✓	✓	
Check siding and trim for damage or decay	✓	✓	
Check all trim for tightness of fit at joints, caulk	✓	✓	
<b>Roof</b>			
Check for damaged or loose shingles and blisters	✓	✓	
Check underside of roof where accessible (or attic) for water stains or dampness	✓	✓	
Check for damaged flashings around vents and chimneys	✓	✓	
Check for damaged gutters, downspouts, hangers, strainers and splash blocks or if paint is needed on them	✓	✓	
Clean gutters, strainers, downspouts and splash blocks	✓	✓	
Check vents, louvers and chimney caps and housings for cracks and debris		✓	
Check fascias and soffits for paint failure and decay	✓	✓	
Check antenna guy wires and supports	✓	✓	
Evaluate roof for future replacement			✓
Tasks	S P R I N G	F A L L	A N N U A L
<b>Interior Surfaces</b>			
Check all finished surfaces for dirt, finish failure and required repairs	✓	✓	
Check all joints in ceramic tile, laminated plastic and similar surfaces	✓	✓	
Check caulk or grouting around bathtubs, showers and sinks	✓	✓	
<b>Floors</b>			
Check for wear and damage, particularly where one material meets another (e.g., wood and carpet)			✓
Evaluate for replacement or refinishing			✓
<b>Electrical System</b>			
Check condition of cords to all appliances and plugs	✓	✓	
Check areas where wiring is exposed and replace at first sign of damage	✓	✓	
Check smoke detectors	✓	✓	
If fuses blow or breakers trip frequently, call an electrician to locate the cause and make repairs			✓
<b>Heating and Cooling Systems</b>			
Clean or change air filters	✓	✓	
Have systems checked by qualified service person	✓	✓	
Remove window air conditioners for winter or put weatherproof covers on them		✓	
Clean dirt and dust from around furnaces, condensing unit, grills and registers	✓	✓	
Service humidifier and dehumidifier		✓	
<b>Plumbing System</b>			
Check faucets, hose bibbs, flush valves and sinks for leakage and corrosion	✓	✓	
Have service person check septic system			✓
Check water heater for leakage, corrosion and obstruction			✓
<b>Grounds and Yard</b>			
Drain outside water lines and hoses		✓	
Clean area wells, window wells and storm drains	✓	✓	
Check driveways and sidewalks for cracks and yard for soil erosion	✓	✓	



## Refinancing Monthly Payment Estimator

1. Find your new interest rate in column 1 \_\_\_\_\_
2. Choose the appropriate factor from column 2 or 3 \_\_\_\_\_
3. Write down the amount of your mortgage \_\_\_\_\_
4. Divide the amount of your mortgage by \$1,000 \_\_\_\_\_
5. Multiply line 4 by the factor chosen in line 2 \_\_\_\_\_  
Approximate monthly payment (principal and interest only)

### Payment Factor Chart

Interest Rate	Factor for 30-Year Term	Factor for 15-Year Term
4.00%	\$4.77	\$7.40
4.25%	\$4.92	\$7.52
4.50%	\$5.07	\$7.65
4.75%	\$5.22	\$7.78
5.00%	\$5.37	\$7.91
5.25%	\$5.53	\$8.04
5.50%	\$5.68	\$8.18
5.75%	\$5.84	\$8.31
6.00%	\$6.00	\$8.44
6.25%	\$6.16	\$8.58
6.50%	\$6.33	\$8.72
6.75%	\$6.49	\$8.85
7.00%	\$6.66	\$8.99
7.25%	\$6.83	\$9.13
7.50%	\$7.00	\$9.28
7.75%	\$7.17	\$9.42
8.00%	\$7.34	\$9.56
8.25%	\$7.52	\$9.71
8.50%	\$7.69	\$9.85
8.75%	\$7.87	\$10.00
9.00%	\$8.05	\$10.15
9.25%	\$8.23	\$10.30
9.50%	\$8.41	\$10.45
9.75%	\$8.60	\$10.60
10.00%	\$8.78	\$10.75
10.25%	\$8.97	\$10.90
10.50%	\$9.15	\$11.06
10.75%	\$9.34	\$11.21

Source: McGraw Hill's Interest Amortization Tables, Third Edition, 2006

## ***Protecting Your Investments***

### ***Self-Test Answer Key***

#### **QUESTIONS AND ANSWERS**

1. **What are two safety suggestions for you and your family to follow to protect your home?**  
Post a list of emergency numbers, conduct fire safety inspections, install smoke detectors, buy fire extinguishers, use safety ladders, assemble a first-aid kit and install carbon monoxide detectors.
2. **What are two energy-saving tips for your family or your house?**  
Turn out lights when you leave a room, don't let water run when doing chores, plan meals, don't leave doors and windows open when running air conditioning or heating, close refrigerator door completely, adjust thermostat to fit seasons, add attic insulation, have heat pump or furnace serviced once a year, install caulking or weatherstripping around doors and windows, install storm doors and windows, put an insulated blanket around the hot water heater, install attic fans or vents, buy energy-efficient appliances, install ceiling fans and monitor heating and cooling systems.
3. **What are two ways to become involved in the life of your neighborhood?**  
Introduce yourself to neighbors, read local newspapers, find out if there's a neighborhood welcome wagon, ask the town or city hall for information, join a service or professional club and volunteer.
4. **If you are planning to hire a contractor to work on your house, what are two important things you should do?**  
Determine which type of contractor you need, interview at least three, get references, visit at least one completed job, ask how long the contractor has been in business, check out the contractor's reputation, check for liability insurance, ask for guarantees, get firm, line-item bids, get contract specifics, control costs by controlling changes, agree on payment, don't make the final payment until the work is done, specify responsibilities, and get a lien waiver for large jobs that use subcontractors.
5. **What are two reasons people consider refinancing?**  
To save money on interest rates, convert one type of mortgage to another, to build up equity faster or convert some equity to cash.
6. **Why should your mortgage be the first bill you pay every month?**  
If you don't make your mortgage payment, you can lose your home.

**TRUE OR FALSE**

1. True
2. True
3. False. When you refinance, you get a new mortgage to pay off your existing mortgage. When you get a home equity loan, your first mortgage stays the same, and the amount you borrow is a second or junior lien secured by your house.
4. True

**MATCHING**

1. E
2. C
3. D
4. A
5. B