Financial Literacy: Homeownership

Directions:
Fill in the blanks.

The Basics of Homeownership

1. The advantages to owning a home are, of course, the _______ ____________ you get. The other advantages are building __________ into a property rather than just paying rent and basically throwing that money away.

2. When deciding whether you want to ________ or ________ a home, you have to look at several issues and decide which is best for you.

3. The amount of ___________ is determined by the person or company who owns the home you are renting.

4. When you buy a home, you need to be able to make a ________ ____________ depending on your credit and the lender you choose, any where from ________ percent up to _______ percent of the purchase price.

5. When you make a rent payment each month, you are paying an expense which ____________ be considered as a tax deduction when you do your taxes, nor are you buying __________ in your home which you can get back when you move.

6. When you own your home, you are responsible for _______ ____________ and _________________.

7. If you choose to rent, the advantages of that are there is no ________________ on the home.

8. If you are a ___________, you call your ___________ and they take care of that.

9. A benefit of your home's value ______________ while you are living in it is when you are ready to sell it, you should be able to sell it for _________ than you paid for it, which means you will make a ___________.

10. There are _________ basic types of housing that you can choose from if you decide buying a home is for you.

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11. You will be responsible for the ____________ ____________, which includes your principle and interest; the ______________ and _________, which are based on the value of your home; and all _______________ and ____________.

12. A condo is basically an ______________ which you buy.

13. A living space within a _________ is usually the same as a condo, but when you buy into a co-op, you actually become a ______________ – part owner of the building and possibly the land the building is built on.

14. The first reason is to provide yourself with a _________ place to live.

15. You may choose to buy a house, remodel it and then sell it, hopefully for a profit, without ever having _________ in the property. This is sometimes referred to as ___________ a house.

16. You may choose to buy a house for the sole purpose of ____________ it to someone else.

Qualifying for Homeownership

17. When you decide you would like to buy a home, your entire ____________ ____________ – past, present and even future – will be considered by a potential lender.

18. If your credit history and credit rating are low, you are considered to be a _________ _________ for your potential lenders and they may decline your application at this point unless you can provide additional information which would convince them otherwise.

19. While your credit report shows your willingness to pay your obligations, your ____________ shows your ____________ to pay your obligations.

20. The _________, just like your income, shows your ability to pay your obligations.

21. This payment covers the loan _____________ and _____________ each month.

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22. The amount you owe on taxes is based on the _________ ______________ on your property.

23. This expense is what you pay to an ______________ ____________ for the coverage it provides you in the event your home is damaged or destroyed, or if someone is injured while visiting your property.

24. This monthly payment is for the ____________ of your neighborhood, condo building or co-op property.

25. But, if you choose to live further away from your work, you will need to figure in the cost of your ____________ when deciding if you can afford to buy in a certain area.

26. Let's look at the documentation your potential lender will want: proof of _______________ and any details you can provide about your employment, proof of monthly ____________, proof of your monthly ____________, a ______ _________ statement showing the assets you own and the debts you owe, and ____________ of the purchase you want to make.

The Process of Buying a Home

27. It is best to visit with a mortgage lender at the _____________ of the home shopping process because you will know from the beginning how much ___________ you have to work with, and if approved will have a pre-approval or a pre-qualified letter which will help your realtor find you a home in your price range.

28. Probably the number one item I hear from people is __________ ____________.

29. Once you have identified the neighborhood you are most interested in, contact a ____________ and get them to help you narrow down the process.

30. The _______________ is arranged by and paid for by you, the potential buyer.

31. Once you and the seller have agreed a new price, if necessary, after the inspection it is now time to go into ____________ with the seller.

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32. Your earnest money you paid earlier in the process will most likely be applied to this _____________ amount. If not, it will be credited to your purchase price at closing.

Calculating the Cost of a Mortgage

33. There are _____________ to this process you need to be aware of so you will not be surprised at the _____________.

34. These costs are _____________, ____________ and various ___________.

35. An ARM is an adjustable mortgage – ________________ __________ _______________.

36. Points are also called _____________ _____________.

37. Points in the mortgage process are typically a variable to use to _____________ your interest rate.

38. Fees you will pay include ________________ fees, ___________ ________________ fees, and other fees charged by your lender, depending on their policies in your situation.

Understanding the Closing

39. ___________ _______________ is basically out there that will protect you in your lien position.

40. Going into the closing, you will have already received a _____________ _____________ _______________ outlining the cost you can expect at closing.

41. Once you are at the closing, you will receive a _____________ _______________ from the lender identifying the actual cost you will pay at the closing.

42. There should be no surprising ________________ between these two statements.

43. You will need to be prepared to pay the remaining portion of the ___________ ________________ the lender is expecting at closing.

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44. If you are paying ____________ to buy down your interest rate, this cost will be collected at closing.

45. The seller will pay a small processing fee from the title company, which is about _________ dollars. They will also pay for the title policy, which will run you about one percent of the ____________ ____________, and then the seller will also pay some recording for the warranty deed and those type issues.

46. Escrow is basically a ____________ ____________ you pay to your lender each month.