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Putting a Roof Over Your Head

Owning your own home is part of the American dream. However, it is more than just a place to hang your hat, it is a long term financial commitment. Consider your lifestyle needs when choosing "Home Sweet Home".

Should We Rent or Buy?

Most Americans eventually choose to purchase a home. Over 68% of Americans own homes. Most spend 27% of their income on housing.

Advantages of Renting:
You don't need a down payment.
You aren't responsible for repairs and maintenance.
You don't have to find a buyer when ready to relocate.
Most rents have a lower controlled costs.

Advantages of Buying:
You build equity in property and home.
You can deduct mortgage interest and property taxes on your income tax return.
Your "rent" won't increase.
You can "borrow" against your equity.
You generally have more living space and yard.

Are We Ready to Purchase a Home?

1. What is your credit score? If it falls below 620 you will not get a good interest rate.
2. How much debt do you have? Student loans, credit card debt, car loans and many other things put you at risk for making a large house payment.
3. How stable is your job and location?
4. Are you prepared for home maintenance? Most homes require around 5-8% of the home value a year to maintain and upkeep. Will you have the money for this once you purchase your home?
5. Not if buying a home increases your "rent" (house) payment to over 1/3 of your income. You will be wiser to continue to rent.



Deciding Where to Live

Whether you rent or buy, it is important to get to know neighborhoods and make a critical choice of location. You are becoming part of a neighborhood. Apart from price, just by looking around, you can establish pretty quickly the quality of a neighborhood or of a street. Take a look at the cars on the street. What condition are they in? Look at the other houses on the street. Are any of them abandoned or in a poor state of repair. Check on the crime rate in the area and word of mouth is also useful in picking a location. Consider how far the daily drives to employment will be.



Make sure that both of you feel good about the location, price and type of dwelling. Couples can become at odds with one another over where and how to live. Take the time to talk over the type of home and needs you will have.

Home Maintenance

Taking care of your home is a part of the home buying process. These items usually need replacement and repair within 10-15 years of the home construction.

- Exterior and Interior paint
- Heating and Cooling systems
- Bath and sink fixtures
- Faucets
- Wood Deck
- Asphalt Drive
- Washer/Dryer
- Garage Opener
- Garbage Disposal
- Sump Pump



Which Mortgage is Right for Us?

Fixed - The same interest rate for the life of the loan.

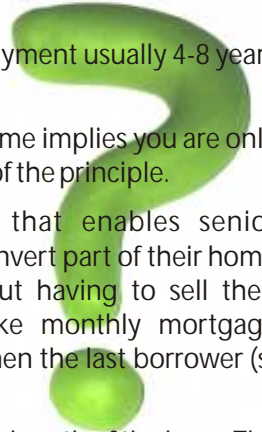
Adjustable - The interest rate can vary over the life of the loan. This can cause trouble if the rates rise.

Balloon Mortgages - Have a large payment usually 4-8 years into the loan.

Interest Only Mortgages - As the name implies you are only paying interest on the home, not any of the principle.

Reverse Mortgage - Is a loan that enables senior homeowners, age 62 and older, to convert part of their home equity into tax-free* income without having to sell their home, give up title to it, or make monthly mortgage payments. The loan becomes due when the last borrower (s) permanently leaves the home.

Key issues are the interest rate and the length of the loan. The longer the loan is for the larger amount of money it costs.



Become Educated About the Home Buying Process

Understanding the complete home buying process can save you frustration and help with decision making.

Attend a First Time Homebuyers education class.

Often these courses can save you down payment and loan forgiveness.

Education will help you understand how to:

1. Determine how much home you can afford. Understand your capacity to make a mortgage.
Be realistic as to what you can afford to pay.
2. Get pre-approved for a home loan.
3. Decide the type of home you need.
4. Shop for a home. This often includes choosing a real estate agent.
Choose with care, you are making an agreement you make with the agent.
5. Make an offer and negotiate.
6. Get a professional home inspection.
7. Apply for a mortgage loan.
8. Purchase home insurance.
9. Close the loan.



Homebuying, Stress & the Relationship

You've probably heard it said many times that buying a new home is one of the most stressful things you can do. In fact, in terms of stress, it's right up there with getting married and having a new baby. Buying a new home is an exciting time too, though: here's how to make it less stressful.

1. Speak up about your thoughts on the home buying process. Discuss it with one another.
2. Take time to do fun things together.
3. Keep a regular eating and sleeping schedule.
4. Take your time. Try not to make rushed decisions.



Preventing Foreclosure

In today's economy, making ends meet is becoming more difficult. For some, it is impossible. If you are struggling financially and concerned about keeping your home, consider these suggestions.

Prioritize your spending. After healthcare, housing should be your first priority. Review your finances and see where spending can be cut. Areas such as cable TV, memberships, entertainment and eating out are good places to start. Delay payments on credit cards and other "unsecured" debt until you have first paid your mortgage.

Use your assets. Look for assets such as a second car, jewelry or whole life insurance policy that could be sold for cash to help reinstate your loan. Determine if anyone in your household can get an additional job to bring in extra income. Even if these efforts don't significantly increase your available cash or income, they demonstrate to your lender that you are willing to make sacrifices to keep your home.

Respond quickly. If you're having trouble making your monthly mortgage payments, contact your lender immediately. When a late notice arrives in your mail, open it immediately and call your lender. He or she may direct you to a housing counselor. The U.S. Department of Housing and Urban Development funds free or low-cost counseling nationwide. Housing counselors can help you understand the law and your options, help organize your finances and represent you in negotiations with your lender if necessary. A housing counselor may also offer direction on a forbearance, which can allow a temporary loan postponement or even reduced loan payments. To find a HUD-approved housing counselor near you, call 800-569-4287.

Talk with your lender. Find out how much you currently owe and what it will take to suspend the foreclosure process. To what you may think, the lender does not want your home. Find out the cost of late fees, collection fees and attorney fees. Your records, be sure to record who you spoke to, the date and what was said. If you can postpone the foreclosure, this will provide you with time to fully exhaust other options such as refinancing, listing the property, doing a short sale or selling the property to an investor. Get whatever time you can to prevent long-term damage to your credit rating. Make sure you fully understand the terms of agreement with the lender and that you abide by the time frames. Be sure to get everything in writing, or it is not really an agreement. Also remember to use registered or certified mail in all your correspondence on legal matters.

Consider refinancing. Your current mortgage may be part of the problem. In the last five years, many people have obtained interest-only or adjustable rate mortgages, and the payment now has increased to an unmanageable level. Use caution in shopping for alternatives, since mortgage rates and programs change daily.

Consider a short sale, where the lender may permit you to accept a contract on the property for less than what is actually owed. You will need to speak to the lender personally regarding this, not to a collector.

Consider selling. If the above steps have not solved your problem, you may need to sell your home. It is better to sell it yourself than to have it repossessed by the lender and damage your credit.

Be aware of foreclosure recovery scams. If any agency claims it can stop your foreclosure immediately by you signing a document appointing it to act on your behalf, you may well be signing over the title to your property and becoming a renter in your own home. Never sign a legal document without reading and understanding all the terms and getting professional advice from an attorney, a trusted real estate professional or an approved housing counselor. Solutions that sound too simple or too good to be true usually are. If you're selling your home without professional guidance, beware of buyers who try to rush you through the process. Unfortunately, there are people who may try to take advantage of your financial difficulty.





Table Talk Tips for Families

- ✓ Discuss your credit scores. Remember you each have a score. Get your free credit reports.
Equifax
Trans Union
Experian
www.annualcreditreport.com
- ✓ Discuss on how to improve your credit scores.



Strengthening Your Partnership Bonds

Owning a home can strengthen bonds in a relationship. You have something that is "yours". Make these decisions together. Enjoy the opportunity to "dream" together about what you want for your future home.

Chances are both of you will have different ideas about what your home should be like. Your personalities will have some definite ideas, such as big windows to see out, a large lawn for the dog. Neither of you want to be unhappy with your final decision. Find common ground that you can both agree on and then merge some of each of your desires. It will take some give and take on both sides.



References:
Morris and Morris: Standard & Poor's Guide to Understanding Personal Finance, 2006

NeighborWorks American
<http://www.nw.org/network/home.asp>
Home Buyers Education

Housing Education Coalition of Utah (HECU)



USU Extension
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