

# Homeownership: The American Dream Or is it?

Presented by:  
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# Objectives

Today we will discuss:

- the pros and cons of homeownership.
- the financial considerations in purchasing a home.
- special programs available to first-time homebuyers.
- additional resources to help.

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# Question?



What do you think of?



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# Homeownership . . .

## Pros:

- Financial incentives
- Place to call your own
- Establishing roots for your family and being part of a community
- Accomplishment and pride

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# Homeownership . . .

## Cons:

- Upfront and ongoing costs
- Decreased mobility
- Physical and financial responsibility
- Foreclosure

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# One Thought ...

Purchasing a home  
is probably *the* largest  
financial transaction of your life.

You want to get it right.



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# Housing Affordability

## Upfront Costs\*

- Down payment (typically 3%-20% of purchase price)
- Loan fees (origination fees, points, pre-paid interest, etc.)
- Home Inspection and insurance
- Title work (search, insurance, etc)
- Taxes (transfer, pre-paid, etc.)
- Moving in (appliances, furniture, décor)

*\*Average costs, excluding down payment and moving in, are typically 6-8% of sales price.*

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# Housing Affordability

## Ongoing Costs

- Major repairs (structural, systems, appliances, etc.)
- Maintenance (seasonal, minor repairs)
- Higher utilities (heat, electric, water/sewer, etc.)
- Taxes

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# Homeownership

## Steps to homeownerships:

1. Know your money
2. Shop for a lender
3. Find a house and make an offer
4. Prepare for settlement
5. Move in and maintenance

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# Know Your Money

- Where do you stand?
- How much can you afford?
- How's your credit?



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# Know Your Money

Where do you stand?

What comes in,  
where does it go?

What do you have,  
what do you owe?



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# Know Your Money

## What comes in = income

- Wages, salary, tips, bonuses, etc.
- Interest, dividends,
- Pension, Social Security (SSD, SSI included)

## Where does it go = expenses

- Housing, food, clothing and savings
- Transportation, insurance and healthcare
- Personal, child care, debt repayment
- Gifts/donations, entertainment and recreation

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# Jargon Alert: CASH FLOW

Cash Flow = What comes in – Where does it go

(+)



0



(-)



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# Know Your Money

Where do you stand?

What comes in,  
where does it go?

What do you have,  
what do you owe?



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# Know Your Money

What do you have = Assets



*An asset is valuable possession or quality.*

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# Know Your Money

What do you have = Assets

- Financial assets
- Real property
- Personal property



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Side Bar

# Know Yourself: Personal Assets

Personal assets:

- Education
- Talents & Skills
- Personality
- Connections

***These assets ...  
are the keys  
to the other assets!***



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# Know Your Money

## What do you owe = Debts

- OPM (other people's money)
  - loans (car, student, personal, etc)
  - credit cards
- Child Support
- Legal



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# Jargon Alert: NET WORTH

Net Worth = What you have – What you owe

- Barometer for progress
- Can be positive or negative
- Key to financial stability



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# Know Your Money

How much can you comfortably afford?

- Ratios: housing and total debt
- Cash on hand



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# Know Your Money

## \*Ratios

Housing Expense Ratio:

$$\frac{\text{housing expenses}}{\text{gross monthly income}} \leq 28\%$$

Total Expense Ratio:

$$\frac{\text{housing and other debt}}{\text{gross monthly income}} \leq 36\%$$

\*These are general targets; specific loan products may have different ratio allowances.

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# Know Your Money

## Cash on hand

- Emergency reserve  
(3 x monthly mortgage payment)
- Down payment
- Moving in



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# Know Your Money

How's your credit?

- 5C's of Credit
- Reports
- Scores



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# Know Your Money

## 5C's of Credit

- Capacity (income)
- Capital (cash)
- Character (credit history)
- Collateral (as a guarantee)
- Conditions

MONTGOMERY COUNTY, MARYLAND  
FREDDY T. PAYCHECK

	GROSS PAY	TAXABLE GROSS
CURRENT	2,016.00	1,842.51
YTD	4,032.00	3,685.02

TYPE OF PAY	HOURS	GROSS AMT.
REGULAR	57.50	1,449.00
SICK LV	12.00	302.40
FAM SKL	2.50	63.00
ANNUAL LV		
COMP LV		
OVER 50K		



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# Know Your Money

## Credit Reports

- overall snapshot of using OPM  
(whose, what, when and how)
- Information compiled from creditors
- individual (not joint)
- changes based on activity-payments  
(made, late or missed altogether), applications, legal action, etc



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# Know Your Money

## Credit Scores

- A number which represents how likely a person is to repay a loan.
- It is calculated by a complicated statistical program using the information contained in your credit report.

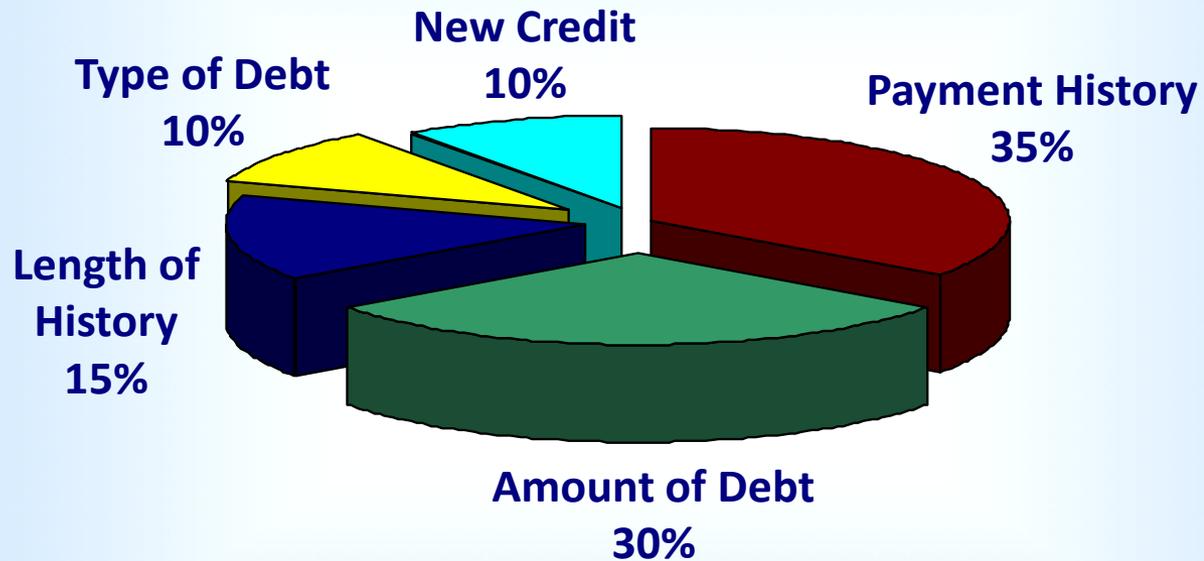


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# Know Your Money

## Components of a Credit Score



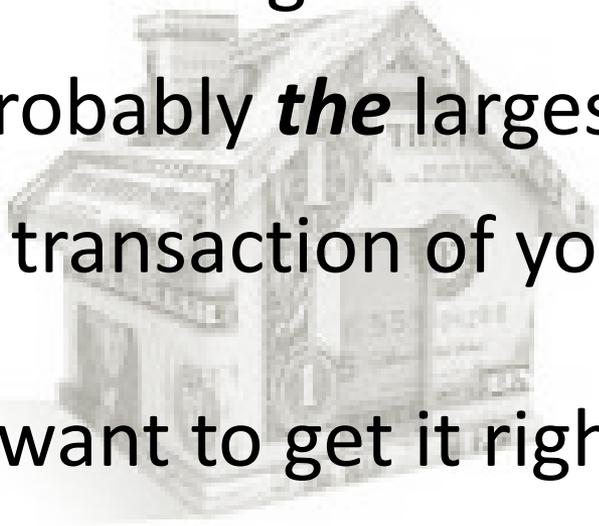
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# Keep in Mind ...

Purchasing a home  
is probably *the* largest  
financial transaction of your life.

You want to get it right.



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# Shop For a Lender

- Types
- Questions to ask
- Pre-approval letter

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# Shop For a Lender

## Types

- Bank (Credit Union)
- Mortgage Banker
- Mortgage Broker



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# Shop For a Lender

## Questions to Ask

- Loan officer qualifications
- Types of mortgages offered, terms and conditions
- Coordinate with local first-time buyer programs
- Discounts offered to deposit customers
- Check licensure, enforcement actions and complaints



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# Shop For a Lender

## Pre-approval letter

- Pre-approved vs. pre-qualified
- What information is needed?
- How long is it valid?

Approved

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# Don't Forget ...

Purchasing a home  
is probably *the* largest  
financial transaction of your life.

You want to get it right.

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# Find a House

- Wish list
- See what's out there
- Tour and seller's disclosure
- Making the offer



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# Find a House

## Wish list

Location, type of house, exterior, interior, mechanical systems, amenities, etc.



## See what's out there

- On your own: news paper, publications, websites, etc.
- Work with a realtor



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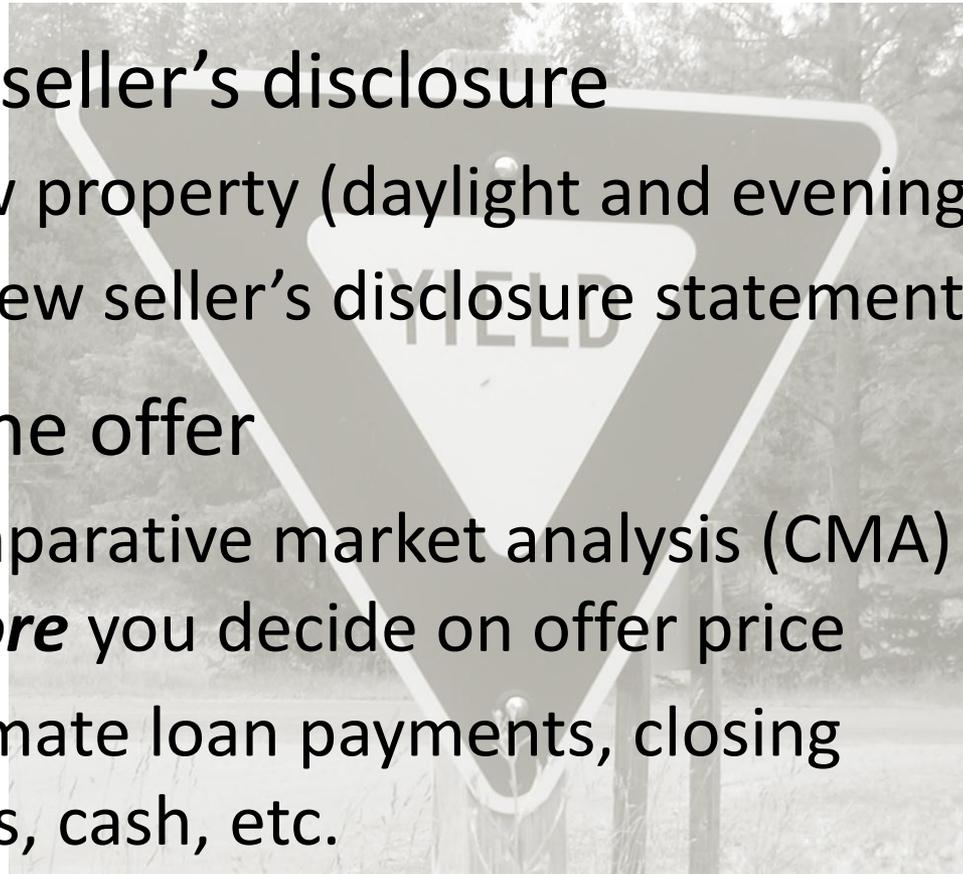
# Find a House

## Tour and seller's disclosure

- View property (daylight and evening)
- Review seller's disclosure statement

## Making the offer

- Comparative market analysis (CMA) **before** you decide on offer price
- Estimate loan payments, closing costs, cash, etc.



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**TREASURY**  
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# Prepare for Settlement

- Make formal mortgage application
- Schedule home inspection
- Shop for homeowner's insurance
- Arrange title work
- Final walk-thru and go to closing

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# You are a Homeowner!



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# Special Programs

- Homebuyer education and housing counseling
- PHFA loan programs
- Local down payment and closing cost assistance programs

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# Education and Counseling

The screenshot shows the PHFA website interface. At the top, there is a navigation bar with 'GO BACK | Log-In | Contact Us' and social media icons. Below this is a main navigation menu with categories: 'Homebuyers, Homeowners, and Renters', 'Homeownership Professionals', 'Multifamily Housing Professionals', 'Housing Resources', and 'About PHFA'. The 'Homebuyers, Homeowners, & Renters' section is expanded, showing sub-sections for 'Homebuyers', 'Homeowners', and 'Renters'. The 'Homebuyers' sub-section is further expanded, listing various resources like 'Choose PHFA', 'Start Here', 'Loans Available', etc. The main content area is titled 'Search for a Counseling Agency' and is divided into three main sections: 'Homeownership', 'Counseling Agency Search Program', and 'Current Select Rates'. The 'Homeownership' section includes a sub-section for 'Homebuyer Counseling and Education' with a detailed paragraph about PHFA's services. The 'Counseling Agency Search Program' section includes 'Instructions' and two search sections: 'Section 1: Choose Type of Counseling Agency List' and 'Section 2: Choose a County from the Dropdown List'. The 'Current Select Rates' section is a table showing rates for various programs.

30-year fixed	
HFA PRS	0 pt 3.875 %
HFA PRS Adv	0 pt 4.125 %
K-Gov	0 pt 3.625 %
K-Gov Adv	0 pt 3.750 %
KHL Adv	0 pt 3.500 %

View all PHFA rates. Contact a participating lender for APR's.

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# PHFA Loan Programs

The screenshot shows the PHFA website interface. At the top, there is a navigation bar with 'GO BACK | Log-In | Contact Us' and social media icons. Below this is a main navigation menu with five categories: 'Homebuyers, Homeowners, and Renters', 'Homeownership Professionals', 'Multifamily Housing Professionals', 'Housing Resources', and 'About PHFA'. The 'Homebuyers, Homeowners, and Renters' category is expanded, showing sub-sections for 'Homebuyers', 'Homeowners', and 'Renters'. A 'TOOLBOX' section includes links for 'Home Maintenance and Energy Saving Tips', 'Mortgage Calculator', 'Two-Unit Info Guide', 'Brochures Online', 'FAQ', and 'Borrower Log-In'. An 'EXTERNAL RESOURCES' section includes a link for 'Reverse Mortgage Guide'. The main content area is titled 'Homeownership Programs' and includes an 'E-mail Us' link. It contains text about PHFA's loan programs, a 'Current Select Rates' table, and sections for 'Home Purchase Loans', 'Assistance Loans', and 'Mortgage Refinance Loans'. The footer includes 'Español | Forms | Legal Statement | Privacy Policy | Site Map' and 'HOME Pennsylvania Housing Finance Agency'.

**Homebuyers, Homeowners, and Renters**

**HOMEBUYERS, HOMEOWNERS, & RENTERS:**

- Homebuyers
  - Choose PHFA
  - Start Here
  - Loans Available
    - Home Purchase Assistance
    - Refinance
  - Participating Lenders
  - Homebuyer Education
  - Housing Counseling Initiatives
  - Homes for Sale
  - Employer Assisted Housing
  - Renovate and Repair
- Homeowners
- Renters

**TOOLBOX:**

- Home Maintenance and Energy Saving Tips
- Mortgage Calculator
- Two-Unit Info Guide
- Brochures Online
- FAQ
- Borrower Log-In

**EXTERNAL RESOURCES:**

- Reverse Mortgage Guide

**Homeownership Programs** [E-mail Us](#)

The Pennsylvania Housing Finance Agency (PHFA or the Agency) offers [home purchase loans](#) with competitive interest rates and lower fees. In addition to the PHFA first mortgage, some applicants may qualify for downpayment and/or closing cost assistance through the Keystone Advantage Assistance Loan or the HOMestead Program.

For buyers who want to make access modifications but don't qualify for a loan through Keystone Home Loan may be able to combine the Keystone Government Loan with PHFA Access Modification assistance.

The HFA Preferred Risk Sharing™ and HFA Preferred™ programs provide a refinance option for homeowners seeking to lower their current monthly mortgage payment on their primary residence.

**Current Select Rates**  
30-year fixed

HFA PRS	0 pt 3.875 %
HFA PRS Adv	0 pt 4.125 %
K-Gov	0 pt 3.625 %
K-Gov Adv	0 pt 3.750 %
KHL Adv	0 pt 3.500 %

View [all PHFA rates](#). Contact a [participating lender](#) for APR's.

**Home Purchase Loans**

- HFA Preferred Risk Sharing™
- HFA Preferred™
- Keystone Home Loan
- Keystone Government Loan
- Purchase Improvement Loan

**Assistance Loans**

- Keystone Advantage Assistance Loan
- Downpayment and Closing Cost Assistance Loan (HOMestead Program)
- Programs for People with Disabilities

**Mortgage Refinance Loans**

- HFA Preferred Risk Sharing™
- HFA Preferred™
- FHA Streamline Refinance

Spanish | Forms | Legal Statement | Privacy Policy | Site Map

HOME  
Pennsylvania Housing Finance Agency

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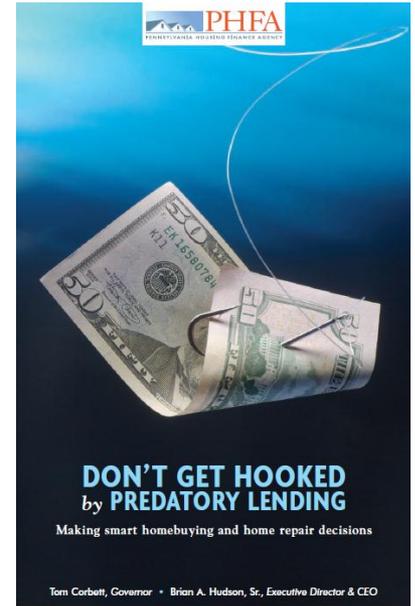
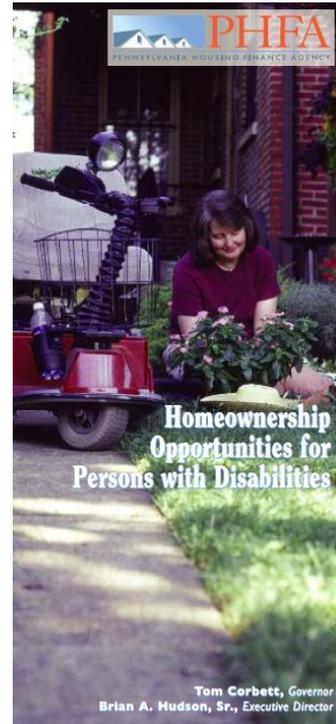
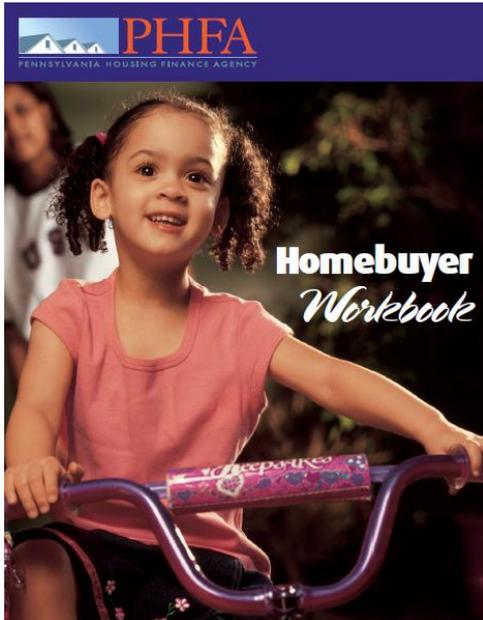
# Local Assistance Programs

- County and city programs
- Down-payment
- Closing costs
- May be forgivable!

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# Additional Resources



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# Additional Resources



**[www.hud.gov](http://www.hud.gov)**

U.S. Department of Housing and Urban Development



**[www.nfcc.org](http://www.nfcc.org)**

National Foundation for Credit Counseling



**[www.moneysbestfriend.com](http://www.moneysbestfriend.com)**

Pennsylvania Department of Banking

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# Wrap-Up

Today we discussed:

- the pros and cons of homeownership.
- the basics steps to purchasing a home.
- special programs available to first-time homebuyers.
- additional resources to help.

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# One Last Thought ...

Purchasing a home  
is probably *the* largest  
financial transaction of your life.

**You want to get it right.**

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# Thank you for joining us today!

## Contact Information:

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