



## Educator Guide

### Determine Readiness: Financial Readiness and Benefits and Challenges

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#### Objectives for this Lesson:

- Decide if You Are Ready to Buy a House
- Determine the Steps You Need to Take if You Are Not Ready
- Identify Benefits and Challenges of Home Ownership

#### Resources for this Lesson:

- Educator Guide: *Determining Readiness: Financial Readiness & Benefits and Challenges*
- PowerPoint Presentation: *Determining Readiness: Financial Readiness & Benefits and Challenges*
- Content Guide: *Determining Readiness* PDF
- Work Sheets:
  - *Net Worth* Work Sheet
  - *Spending Plan* Work Sheet
  - *How Much Do I Owe?* Work Sheet

#### Participant Packets Should Include:

- PowerPoint Presentation Handout (3 slides per page) - *Determining Readiness*
- All Work Sheets Listed Above

**Key Points****For Educator: What to Say****For Learner:**

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| <p><b>Slide #1:</b><br/><b>Determining Readiness:</b><br/>Financial Readiness &amp;<br/>Benefits and Challenges</p>   | <p>Introduce Yourself.</p> <p><b>Instructor’s notes:</b> If participants have not already completed these three work sheets from previous sections they will need to complete them in order to determine their readiness for home ownership. If students have not completed these work sheets, you will need to present the <i>Developing a Spending Plan</i> and <i>Where Are You Now?</i> lesson plans before covering the material in this lesson.</p> <p><i>*Instructions and printouts of these worksheets are available in the “Developing a Spending Plan” and “Where Are You Now? Educator Guides.</i></p> | <p>Participant Introductions.</p> <p><b>Students will need:</b><br/><i>Net Worth</i> Work Sheet<br/><i>Spending Plan</i> Work Sheet<br/><i>How Much Do I Owe?</i> Work Sheet</p> |
| <p><b>Slide #2:</b><br/><b>Objectives:</b></p> <ul style="list-style-type: none"><li>▪ Decide if you are ready to buy a house.</li><li>▪ Determine the steps you need to take if you are not ready.</li><li>▪ Identify benefits and challenges of home ownership.</li></ul> | <p><b>Explain:</b> By the end of this session, you will be able to decide if you are ready to buy a home, and if not, what steps you still need to take to be ready to buy a home. You also will be able to list the benefits and challenges of home ownership.</p>  |  |

**Key Points****For Educator: What to Say****For Learner:****Slide #3:****Are You Ready for Home Ownership?**

1. Do you have a steady source of income?
2. Have you been employed on a steady basis or do you have tax returns to confirm your income?
3. Is your income reliable?

**Explain:** Buying a home is probably the largest investment any of us makes in our lives. One of the first steps in buying a home is to determine if you are ready financially to do this.

The worksheets that you have completed and these questions will help you determine if you are financially ready for home ownership.

**Instructors Note:** Read each question from Slides #3-#5. As you ask each question, highlight the points listed below. Encourage discussion as you talk about each step.

1. Steady income is one of the first requirements for financing a home.
2. You have to show regular employment for 2-3 years, or if you own your own business, tax returns to confirm your income for 2-3 years.
3. If you receive child support, alimony, an annuity or other forms of income, do you have a 12-month history of receipt in order to document reliability?

**Discussion:** Participants are encouraged to share personal stories, thoughts and ideas, and suggestions as the questions are discussed.

**Key Points**

**For Educator: What to Say**

**For Learner:**

**Slide #4:**

**Are You Ready for Home Ownership?**

- 4. Do you have a good credit history?
- 5. Do you have a good record of paying bills?
- 6. Do you have money left to save?

- 4. A good credit history refers to whether you have ever borrowed money for any purpose, and if and when you paid it back. If you haven't checked your credit report(s) recently, now is a good time to do this.

**Instructor's Note:** The Educator Guide, *Credit Reports* discussed how participants can get free credit reports on-line.

- 5. Paying utility bills, rent and other bills on time establishes an alternative credit record if you haven't previously borrowed money.
- 6. Are you able to pay bills and other debts on time and have money left at the end of the month to save? Do you have a savings account with money in it?

**Key Points**

**For Educator: What to Say**

**For Learner:**

**Slide #5:  
Are You Ready for Home  
Ownership?**

- 7. Can you pay all the additional bills?
  
  
  
  
  
  
  
  
  
  
- 8. Do you have money saved for the down payment?

- 7. Can you financially handle the costs of the mortgage payment every month plus the additional costs for taxes, insurance, maintenance and repairs? Consider this example:

**Example:** You currently pay \$500 in rent. If you buy a house, your mortgage payment may be \$700. You not only have to consider the extra \$200 a month for housing, but also the expense of housing repairs that are currently paid by your landlord, and taxes and insurance on the property (which might be included in your mortgage).

- 8. The down payment is the portion of the home's purchase price the buyer pays in cash. The more you have for a down payment, the less you will need to borrow.

Lenders prefer that you have 20% of the purchase price for a down payment. There are many special programs that require a smaller or no down payment. Even if you qualify for a small- or no-down-payment loan, you will need to have some money saved for unexpected expenses.

Government loan programs are generally targeted at individuals and families with modest incomes. There are a number of different programs available for first-time homebuyers.

*(Slide #5 Continued on Next Page)*

## Key Points

## For Educator: What to Say

## For Learner:

*(Slide #5 Continued)*

9. Do you have money saved for closing costs?

9. The closing costs are the fees involved during the home buying process. These may include, but are not limited to, appraisals, title work, inspections, and credit report fees. The closing costs vary a great deal depending on the loan option you choose.

**Instructor's Note:** The Educator Guides in *Buying a Home* will discuss these points in much more detail.

**Explain:** If you answered “yes” to the majority of these questions, you might be ready to buy a home. The next step is to do the research and then find the right house, which is the focus of the next section of this curriculum, *The Home Buying Process*.

If you answered “no” to any of the questions, concentrate on strengthening those areas. Suggestions would be to determine the steps you need to improve and take homebuyer education classes focused on those areas.

Remember if you keep working at it, you can realize the American dream of owning your own home.

## Key Points

## For Educator: What to Say

## For Learner:

### Slide #6:

### Benefits of Homeownership:

- Equity
  
- Increase in Value
  
- Decorate and Make it Your Own
  
- You Own the Home

*(Slide #6 Continued on Next Page)*

**Transition Statement:** Many of you are ready to take the next step of homeownership.

**Question:** *What are some of the benefits of home ownership?*

**Instructor's Note:** Write the benefits participants discuss on the board.

**Instructor's Note:** Highlight the benefits listed on Slide #3 that were not listed by the participants during discussion. Bulleted points will come onto slide upon a mouse click.

- Equity refers to the value of the home minus the debt you owe on it. Basically, it is the part of the home you actually own. For example, if your home's market value is \$100,000 and you owe \$60,000 on your mortgage, then you have \$40,000 equity in your home.
  
- Homes generally increase in value over time, so it can be a good way to invest your money. This also increases the amount of equity that you have in your home.
  
- You have the freedom to decorate your home to suit your tastes.
  
- Once your mortgage is paid in full, the home is yours.

**Discussion:** Participants share what they feel are benefits of home ownership.

**Key Points**

**For Educator: What to Say**

**For Learner:**

|  |  |   |
|--|--|---|
| <p><i>(Slide #6 Continued)</i></p> <ul style="list-style-type: none"><li>▪ Income Tax Advantages</li><li>▪ Mortgage Payments Stay the Same</li><li>▪ Pass it on to Your Family</li></ul> | <ul style="list-style-type: none"><li>• Home ownership may reduce the amount of income tax you owe since mortgage interest and property taxes are deductible (consult your tax preparer for more details).</li><li>• Certain mortgages provide a stable monthly payment in comparison to annual rent increases.</li><li>• You can pass your home on to family members if you own it, or have insurance to pay off the mortgage if you die.</li></ul>   |   |
| <p><b>Slide #7:<br/>Challenges of Home Ownership</b></p> <p><i>(Slide #7 Continued on Next Page)</i></p>   | <p><b>Transition Statement:</b> Of course, there are many benefits to home ownership, but there also can be some challenges.</p> <p><b>Question:</b> <i>What are some of the challenges of home ownership?</i></p> <p><b>Instructor's Note:</b> Write the challenges discussed on the board.</p> <p><b>Instructor Note:</b> Highlight the challenges listed on Slide #4 that were not listed by the participants during discussion. Bulleted points will come onto slide upon a mouse click.</p> | <p><b>Discussion:</b> Participants share what they feel are challenges of home ownership.</p> |

## Key Points

## For Educator: What to Say

## For Learner:

*(Slide #7 Continued)*

- Additional Costs

- Long Term Debt

- Can't Move on Easily

- Foreclosure

- Additional costs
  - When you own a home, property maintenance and upkeep are your responsibility.
  - Homeowner's insurance
  - Real estate taxes
  - Homeowner's association fees, in some cases.
  - Unexpected regular costs of home maintenance, such as appliance repair and garbage collection.
- Most mortgages are for 15, 20 or 30 years in duration. This long term debt requires a commitment. This also can be a challenge if you face the loss of a job, a spouse or a decrease in income.
- You will need to sell your home before you can afford to buy or rent another one. When moving to another community, you will need to allow time to sell the house you own.
- You can lose your home and investment if you don't pay the mortgage payments.

**Key Points****For Educator: What to Say****For Learner:**

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|---|--|-------------------------------|
| <p><b>Slide #8:</b><br/><b>Summary</b></p> <ul style="list-style-type: none"><li>▪ Decided if you are ready to buy a house.</li><li>▪ Determined the steps you need to take if you are not ready.</li><li>▪ Identified benefits and challenges of home ownership.</li></ul> | <p><b>Lesson Summary:</b><br/>Congratulations! You have completed <i>Determining Readiness</i> in this Money Management series of classes.</p> <p>We have determined if you are ready to buy a house, and if not, what steps you need to take to prepare yourself. We also listed the pros and cons of home ownership. Buying a home is a big decision. Only you can determine if the benefits outweigh the challenges for you at this time.</p> <p><b>Question:</b> <i>Are there any questions?</i></p> | <p>Participant questions.</p> |
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