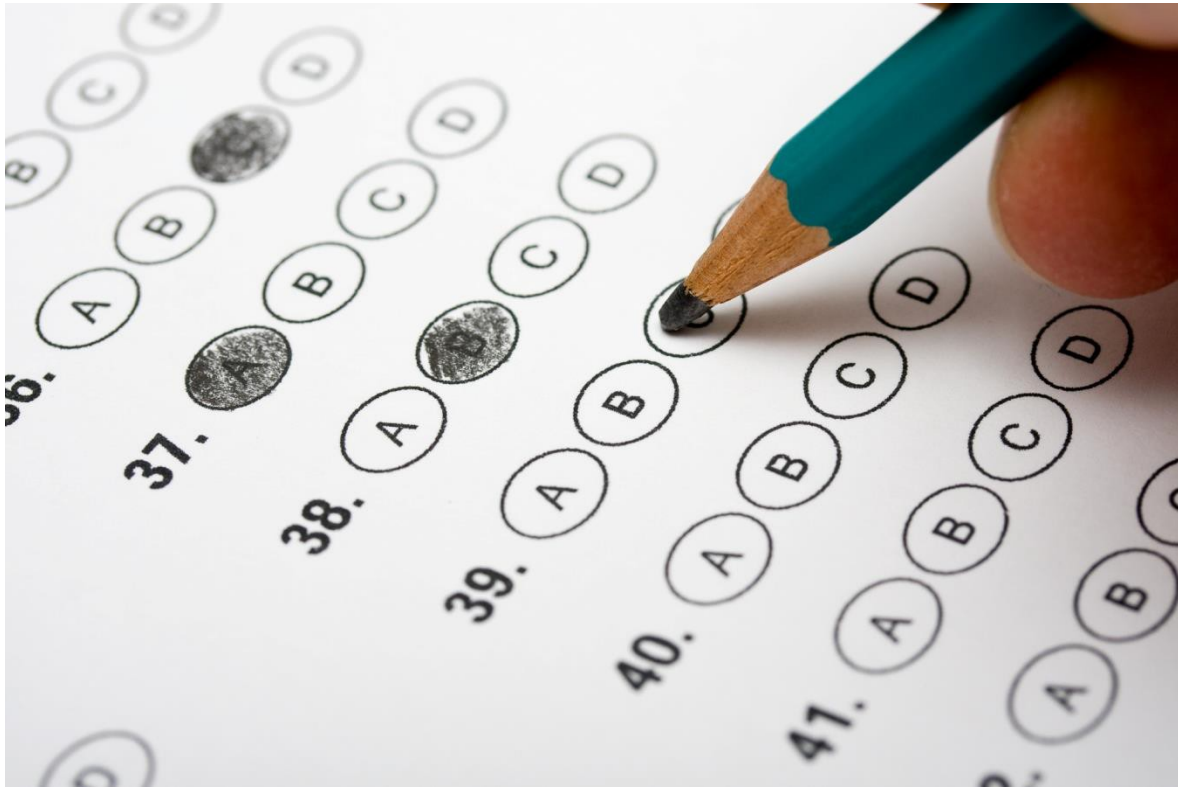


PREPARING FOR HOME OWNERSHIP

Fifth Third Bank
Presented By: Eugenia Brown
AVP, Financial Center Manager



QUICK QUIZ



IN MOST U.S. COUNTIES, IT'S CHEAPER TO BUY A HOUSE VS. RENT.¹

A. True

B. False



1. ATTOM™ Data Solutions, "Buying A Home is More Affordable Than Renting in 53 Percent of U.S. Housing Markets," January 9, 2020, <https://www.attomdata.com/news/market-trends/attom-data-solutions-2020-rental-affordability-report/>, (accessed March 12, 2020).



WHAT IS THE TYPICAL % REALTOR COMMISSION ON THE PURCHASE/SALE OF A HOME?¹

A. 2%



Home
Ownership

B. 6%

C. 10%



Home
Ownership

1. Daniel Bortz, The Real Estate Commission: A Guide to Who Pays, How Much, and More," realtor.com, April 15, 2019, <https://www.realtor.com/advice/sell/real-estate-commission-explained/>, (accessed March 12, 2020).



**IS HOME OWNERSHIP
RIGHT FOR YOU?**



FIFTH THIRD BANK



EMPOWER



OWN VS. RENT

Own

Advantages

- Build wealth by gaining equity
- Gain sense of community
- Enjoy freedom to decorate
- Not dependent on landlord for maintenance

Disadvantages

- Responsible for maintenance
- Responsible for property taxes
- Less mobility compared to renting

Rent

Advantages

- Little to no responsibility for maintenance
- Easier and quicker to relocate

Disadvantages*

- No tax benefits
- Not gaining any equity
- No control over rent increases



Home
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*Fifth Third Bank does not provide tax advice; consult your tax advisor.



STEP 1: PREPARE



GET YOUR FINANCES IN LINE

- Allow time to improve finances
- Look at finances six months prior to buying
- Review your credit
- Lower or pay off debts
- Create a budget
- Determine the payment that will fit within your budget





HOW MUCH CAN YOU AFFORD?

- Housing expense to gross monthly income ratio
- Typical guideline is 28%*



Example:

Total gross annual income: \$36,000

$\$36,000 \div 12 \text{ months} = \$3,000$ monthly gross income

$28\% \times \$3,000 = \840 per month

Housing expense includes mortgage payments, taxes and insurance.



*May vary based on product.



HOW MUCH CAN YOU AFFORD?

- Total debt to gross monthly income ratio
- Typical guideline is 36%*



Example:

Total gross annual income: \$36,000

$\$36,000 \div 12 \text{ months} = \$3,000$ monthly gross income

$36\% \times \$3,000 = \$1,080$ per month

Total debt includes all outflows of cash to pay for items such as car loans, student loans, credit cards and mortgage payments.

*May vary based on product.



HOW MUCH DO YOU WANT TO PAY?

- Use net income for this calculation
- Ask yourself: will this allow you to accomplish the rest of your goals and live the life you want to live?



Example:

Monthly net income = \$2,000

Total payment = \$1,080

$\$2,000 - \$1,080 = \$920$ remaining after payments



Home
Ownership



GET PRE-QUALIFIED

- Why?
 - Signals you are a serious shopper
 - Tells sellers you are qualified to purchase their home
 - Know what you can afford before you start shopping
- How?
 - Talk to multiple financial institutions
 - Rates: fixed or adjustable*
 - Ask for APR – calculate rate, points and fees
 - Ask about down payment requirements
 - Ask about private mortgage insurance



*After the initial fixed term of the ARM period, it is possible that the borrower's payments may increase substantially over the remaining term of the loan.



STEP 2: SHOP



CREATE A WISH LIST

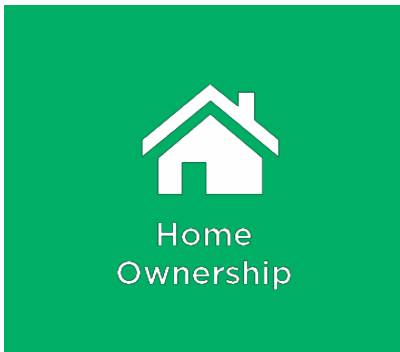
- Neighborhood

- School district
- Crime rates
- Nearby shopping
- Commute times



- House

- Prioritize what you want
 - Space
 - Property
 - Location
 - Amenities
- Categorize based on “Need to have” vs. “Nice to have”



USE A REAL ESTATE AGENT

- How do you find a good real estate agent?
 - Ask friends and family for referrals
 - Seek out experience and commitment
 - Interview several real estate agents to determine the best fit for you
- Benefits of using a real estate agent:
 - Real estate agents represent your best interests and work for you in negotiations
 - Real estate agents know the market inside and out and will help you steer clear of problems
 - There are no buyer's costs when using a real estate agent to purchase a property



PERSONAL INSPECTION

- Help narrow your property choices by performing a thorough walk through
- A walk through should never replace a professional inspection



Inspection Checklist

- | | |
|------------------------------|--------------------------|
| ✓ Foundation | ✓ Plumbing |
| ✓ Roof | ✓ Appliance condition |
| ✓ Evidence of leaks | ✓ Heating/cooling system |
| ✓ Basement/Attic | ✓ Exterior |
| ✓ Apparent energy efficiency | ✓ Lot |
| ✓ Electrical | |





7 KEYS TO NEGOTIATING YOUR DEAL

1. Know market trends
2. Listen!
3. If there are multiple offers, be competitive
4. When you offer something, always ask for something in return
5. Avoid extremely low offers
6. Keep emotions at bay
7. Understand the seller's motivation



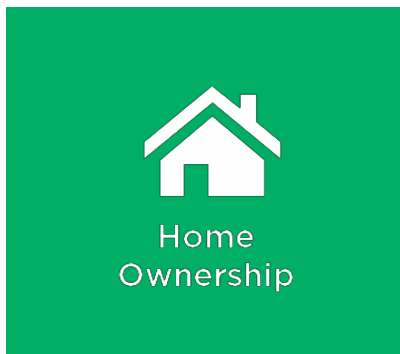
Source: First Team Real Estate, 2016



PROFESSIONAL INSPECTION

- Hiring a professional home inspector can:
 - Protect you from unexpected problems down the road
 - Ensure your best interests are maintained
 - Home inspection would be at the cost of the borrower
- Home inspection tips:
 - Accompany the inspector during the inspection process
 - Once complete, agree on repairs or compensation
 - Inspect repairs prior to closing





AVOID COMMON PITFALLS

- Don't rush. Don't be afraid to ask questions
- Don't negotiate contracts without your real estate agent
- Don't buy more than you can afford on today's salary
- Don't underestimate the power of competing buyers
- Don't feel pressured to make a decision
- Don't underestimate property condition. Properties that have health, safety, or structural repairs may require repairs before the loan can close



FINANCING



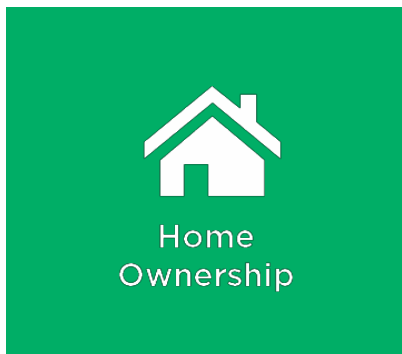
CHOOSING A MORTGAGE

- Fixed rate
- ARM* (Adjustable Rate Mortgage)
- FHA (Federal Housing Administration)
- VA**
- Other programs



*After the initial fixed term of the ARM period, it is possible that the borrower's payments may increase substantially over the remaining term of the loan.

**VA Loan Program is subject to VA eligibility certificate review.



GATHER YOUR DOCUMENTS

- Sales contract
- Social security numbers for all applicants
- Employment information
- Copy of past two years W-2
- Copy of past two pay stubs
- Complete information on all open debts
- 401k and/or IRA statements (if applicable)
- Bank statements and/or other asset account statements for the past two months
- Application fee



APPROVAL PROCESS

- Once the application process is complete, you could receive:
 - **Approval:** all documents are in order and you are ready to proceed to the next step
 - **Conditional approval:** the mortgage is approved as long as additional conditions can be met or additional documentation is required
 - **Decline:** this could be due to a number of things and you will receive further instructions from your mortgage professional

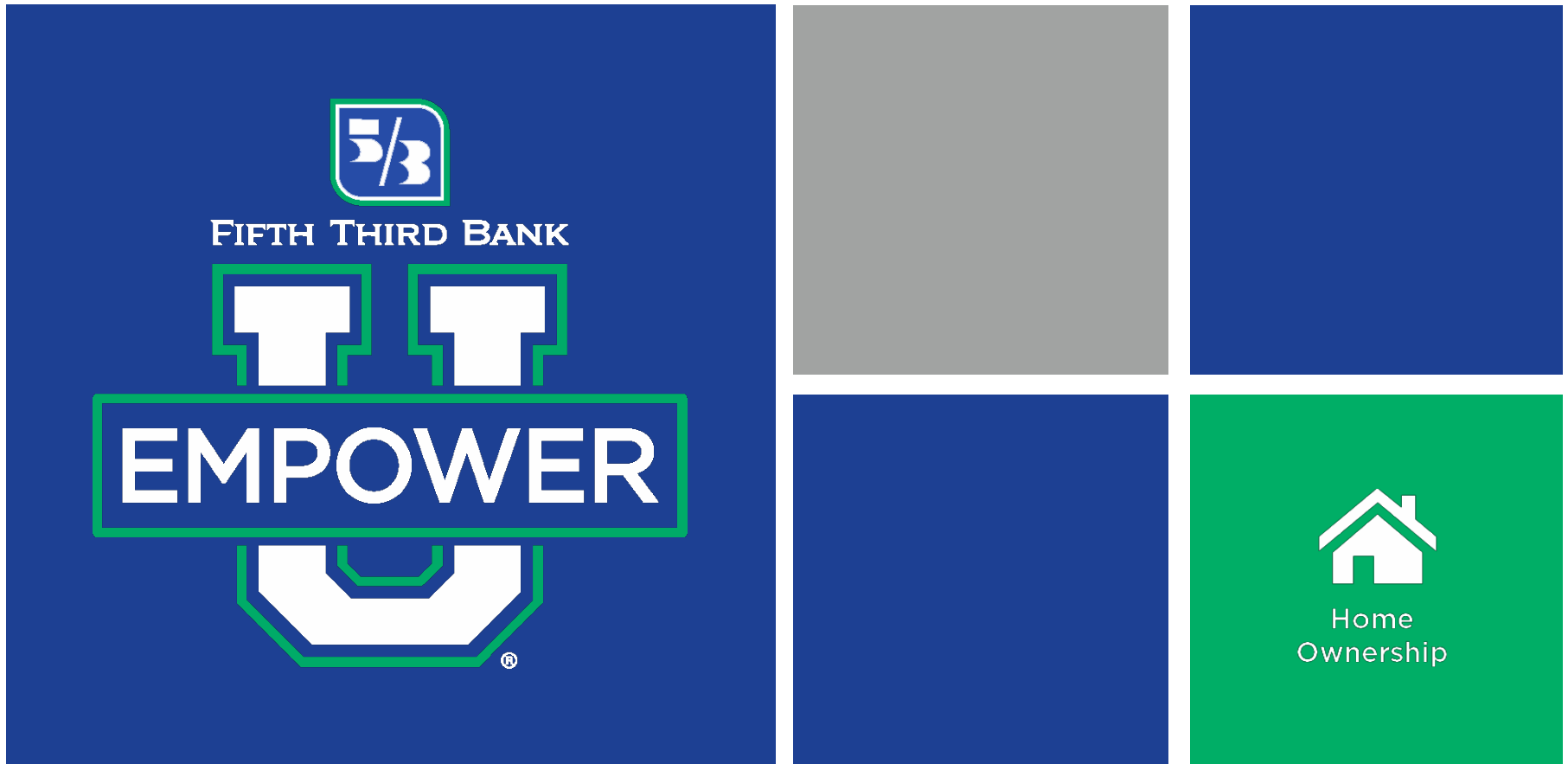





WHAT TO EXPECT AT THE CLOSING TABLE

- All of the necessary documents will be brought to the closing table by your mortgage professional
- Mortgage costs may be collected at the time of closing:
 - Down payment
 - Tax escrow/proration
 - Prepaid homeowner's insurance
 - Processing fees
 - Title fees
 - Appraisal fee






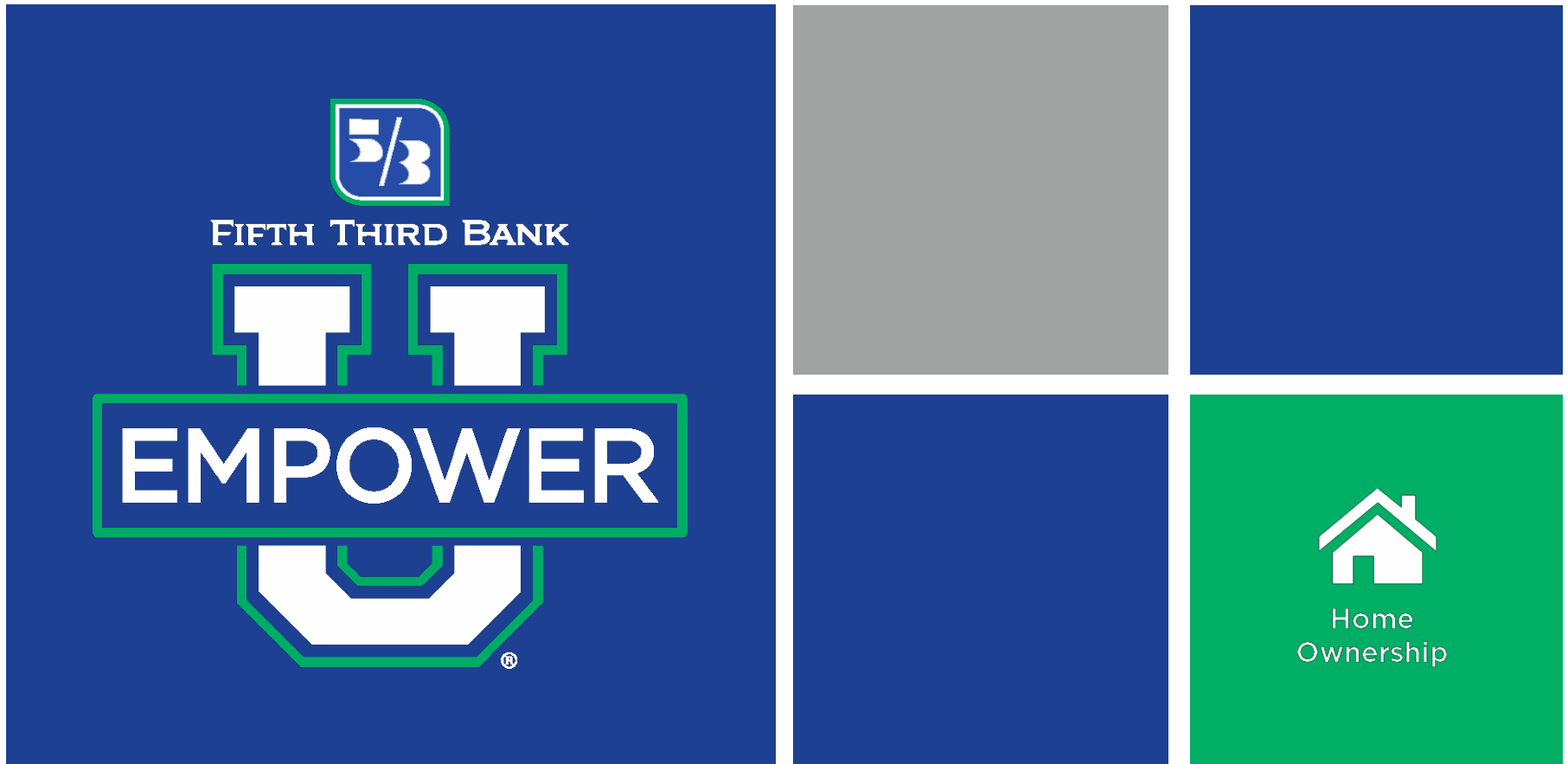
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*Loans subject to credit review and approval. Fifth Third Bank, 38 Fountain Square Plaza, Cincinnati, OH 45263, NMLS# 403245, Fifth Third Bank, National Association. Equal Housing Lender.  Member FDIC. Fifth Third and Fifth Third Bank are registered service marks of Fifth Third Bancorp.



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Eugenia Brown
AVP, Financial Center Manager
(404) 720-2259
eugenia.brown @53.com
NMLS# 1230314

