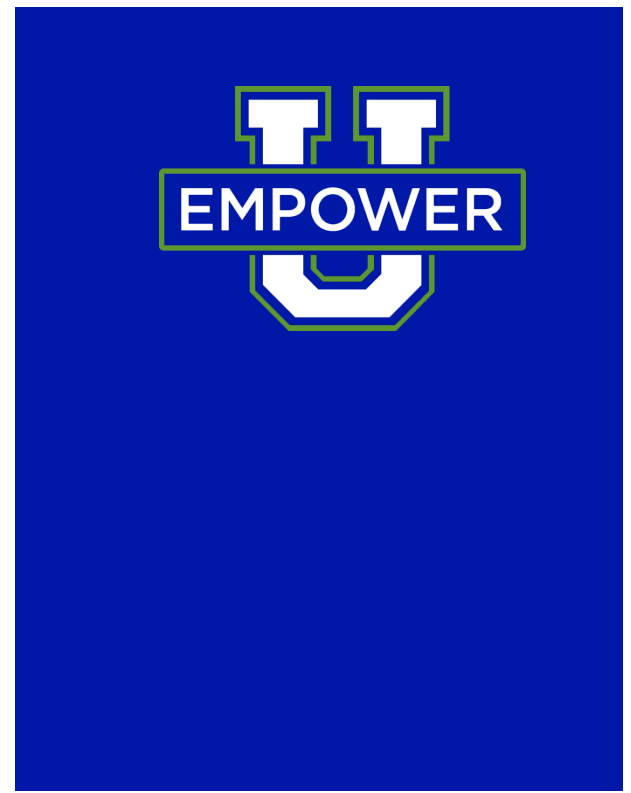
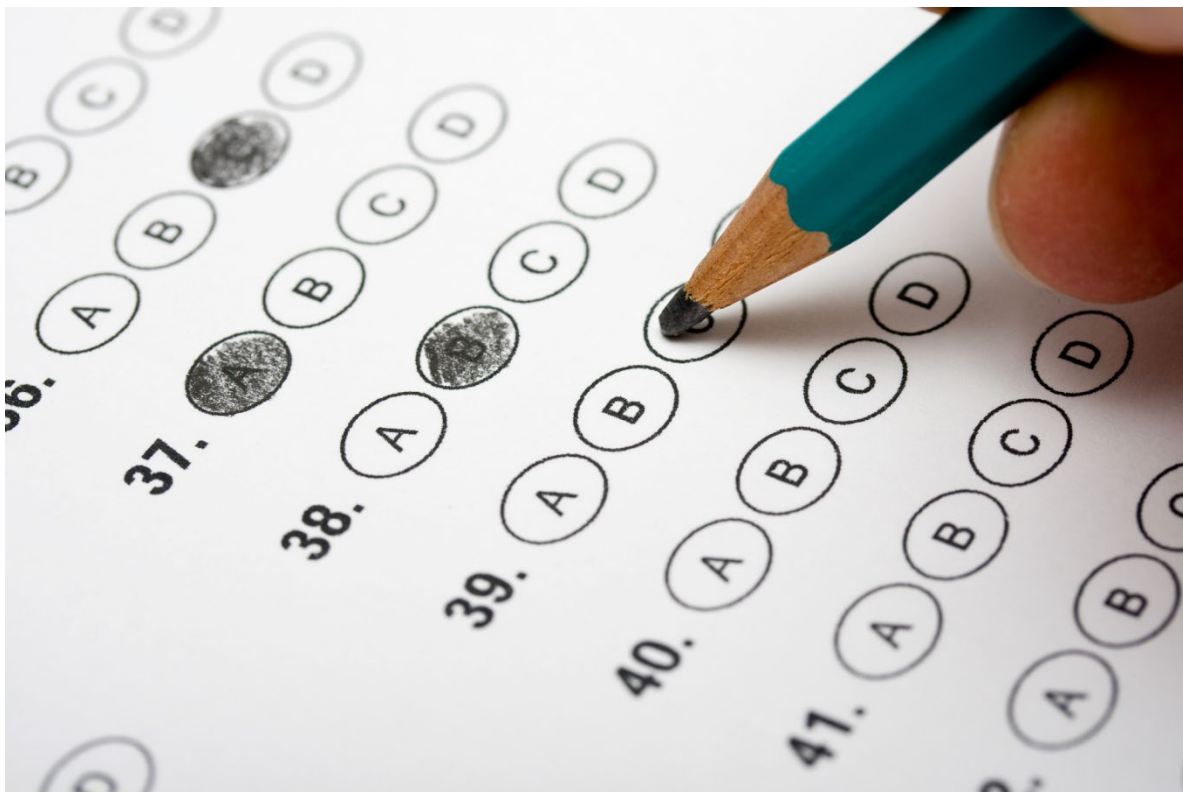




# PREPARING FOR HOME OWNERSHIP

Fifth Third Bank  
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# QUICK QUIZ



OF THE 100 LARGEST U.S.  
METROS, BUYING IS CHEAPER  
THAN RENTING IN \_\_\_\_\_.

A. 76

B. 92

C. 100



Home  
Ownership



# WHAT IS THE AVERAGE % REALTOR COMMISSION ON THE PURCHASE/SALE OF A HOME?

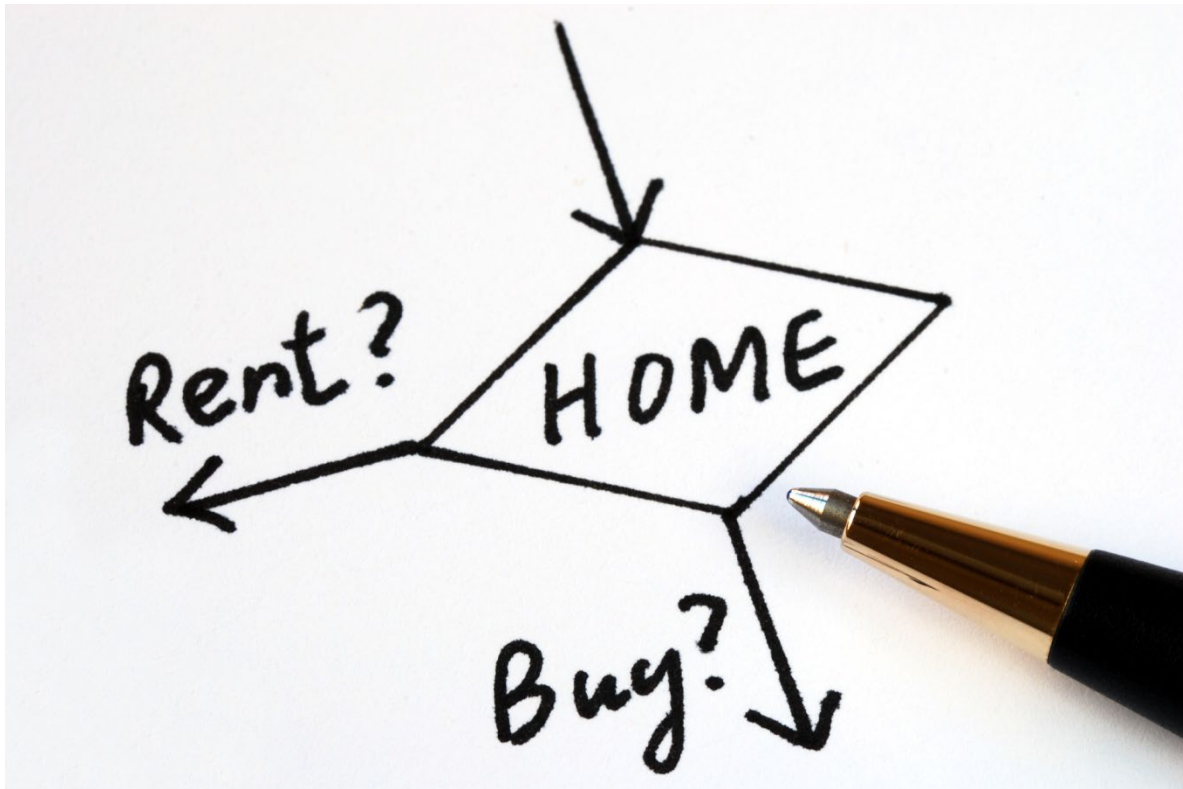
A. 2%

B. 6%

C. 10%



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**IS HOME OWNERSHIP  
RIGHT FOR YOU?**

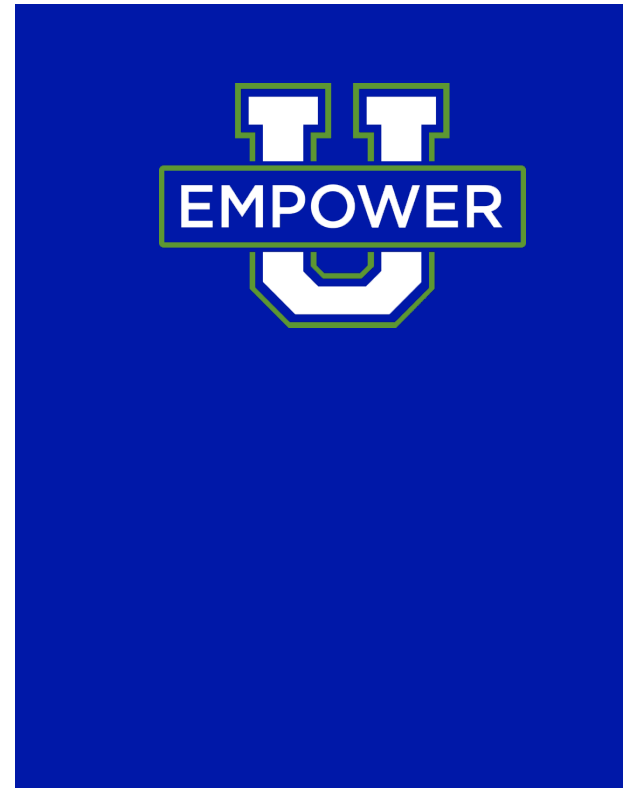


# OWN VS. RENT

OWN	RENT
<p><b>Advantages</b></p> <ul style="list-style-type: none"><li>• Build wealth by gaining equity</li><li>• Gain sense of community</li><li>• Enjoy freedom to decorate</li><li>• Not dependent on landlord for maintenance</li></ul>	<p><b>Advantages</b></p> <ul style="list-style-type: none"><li>• Little to no responsibility for maintenance</li><li>• Easier and quicker to relocate</li></ul>
<p><b>Disadvantages</b></p> <ul style="list-style-type: none"><li>• Responsible for maintenance</li><li>• Responsible for property taxes</li><li>• Less mobility compared to renting</li></ul>	<p><b>Disadvantages</b></p> <ul style="list-style-type: none"><li>• No tax benefits</li><li>• Not gaining any equity</li><li>• No control over rent increases</li></ul>



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# 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



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# HOW MUCH CAN YOU AFFORD?

- Housing Expense to Gross Monthly Income Ratio
- Typical Guideline is 28%\*

## Example

Total Gross Annual Income: \$36,000

$\$36,000 \div 12 \text{ Months} = \$3,000 \text{ Monthly Gross Income}$

$28\% \times \$3,000 = \$840 \text{ Per Month}$

Housing Expense Includes Mortgage Payments, Taxes and Insurance.



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\*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

$\$36,000 \div 12 \text{ Months} = \$3,000 \text{ Monthly Gross Income}$

$36\% \times \$3,000 = \$1,080 \text{ Per Month}$

Total Debt Includes All Outflows of Cash to Pay For Items Such as Car Loans, Student Loans, Credit Cards and Mortgage Payments.



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\*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



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# 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

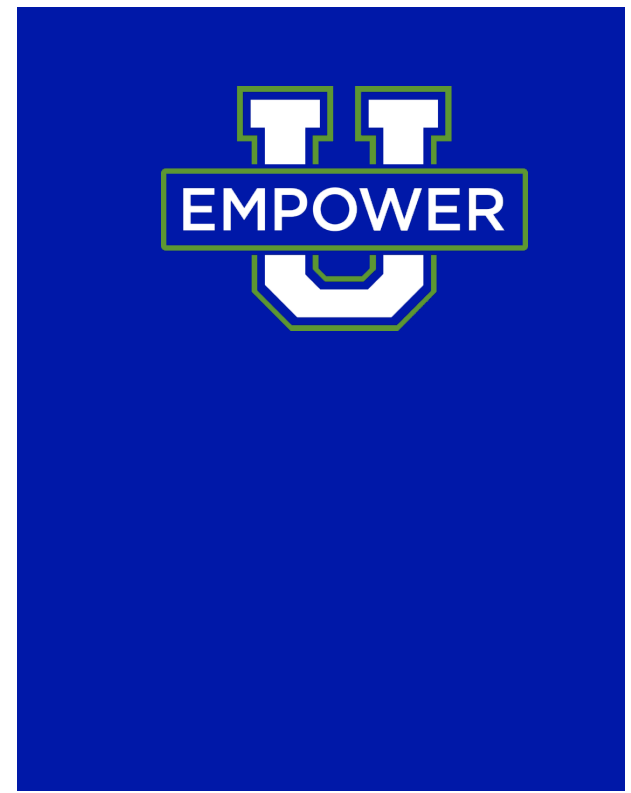
## ■ How?

- 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



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\*After the initial interest rate 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”



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# 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



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# 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                 | ✓ Electrical             |
| ✓ Roof                       | ✓ Plumbing               |
| ✓ Evidence of Leaks          | ✓ Appliance Condition    |
| ✓ Basement\Attic             | ✓ Heating\Cooling System |
| ✓ Apparent Energy Efficiency | ✓ Exterior               |
|                              | ✓ Lot                    |



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# 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



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# PROFESSIONAL INSPECTION

- Hiring a Professional Home Inspector Can:
  - Protect You from Unexpected Problems Down the Road
  - Ensure Your Best Interests are Maintained
- Home Inspection Tips:
  - Accompany the Inspector During the Inspection Process
  - Once Complete, Agree on Repairs or Compensation
  - Inspect Repairs Prior to Closing



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# 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



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# FINANCING



# CHOOSING A MORTGAGE

- Fixed Rate
- ARM\* (Adjustable Rate Mortgage)
- FHA (Federal Housing Administration)
- VA\*\*
- Other Programs



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

\*\*The VA program is offered to those purchasing a primary residence only. Widows and widowers of veterans are also eligible.



# GATHER YOUR DOCUMENTS

- Sales Contract
- Social Security Numbers for All Applicants
- Driver's License or State ID for All Applicants
- Employment Information
- Copy of Past Two Years W-2
- Copy of Past Two Pay Stubs
- Complete Information on All Open Debts
- Complete Information on Assets
- Copy of Asset Statements for the Past Two Months



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# 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



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# 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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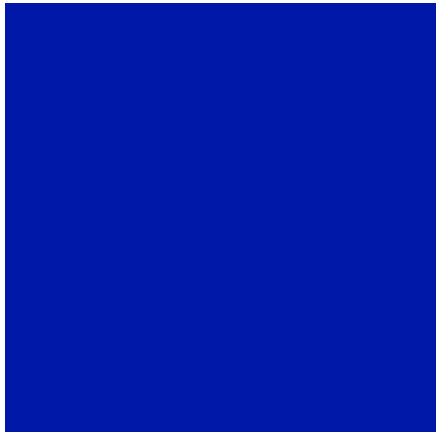




# PREPARING FOR HOME OWNERSHIP

\*Loans subject to credit review and approval. Prices and programs subject to change without notice. Fifth Third Mortgage Company, 5001 Kingsley Drive, Cincinnati, Ohio 45227 an Illinois Residential Mortgage Licensee. Fifth Third Mortgage Company d/b/a Fifth Third Mortgage Company Incorporated and licensed by the New Hampshire banking department. Fifth Third Mortgage is the trade name used by Fifth Third Mortgage Company (NMLS #134100) and Fifth Third Mortgage-MI, LLC (NMLS #447141). Fifth Third Bank, Member FDIC. 🏠 Equal Housing Lender.





# PREPARING FOR HOME OWNERSHIP

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