



# Buying Your First Home

REALTY OF REALTY IN DOUGLAS COUNTY

Presented by Anju Mishra, Tenants To Homeowners, & Habitat For Humanity



TENANTS TO HOMEOWNERS, INC

**TTH** CREATING STABILITY THROUGH PERMANENTLY AFFORDABLE HOUSING



Made possible by support from **usbank**

# Homeownership: Advantages & Disadvantages

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## ADVANTAGES

- Home Equity: forced savings plan
- Long term investment that generally appreciates if maintained
- Property taxes, interest payments, and some fees can be deducted from taxable income
- Due to inflation, mortgage payments actually become cheaper
- Easy to step up to a larger home
- Have control, can customize home

## DISADVANTAGES

- Monthly mortgage payment may be higher than rent because of taxes and insurance
- Regular maintenance and upkeep costs
- Up-front costs: closing, down payment
- There is no guarantee that property values will increase
- It takes time to sell a house and recoup the equity
- Much less mobility than renters

# Your Expense Plan

- Set realistic spending limits
- Be willing to live within your plan, it may be necessary to make sacrifices and compromises
- Know your priorities
- Have consistent spending habits - large expenses can be spread out over time
- Track where your money goes
- Look for ways to trim, eliminate non-essentials





# What lenders want to see for pre-approval

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*Lenders look at the whole, but they do not like risks*

## 1) Income History

- 2 years of consistent income. If self-employed, 3 tax years.
- Income must be verifiable.
- Post-COVID has required more evidence of consistency, if it varies

## 2) Proof that you pay bills on time

- 2 years positive bill paying history from credit score 670+
- Bankruptcy discharged and all judgements/collections satisfied

## 3) Low amount of debt

- Debt-to-Income Ratio not over 38%
- Assets to cover down payment/closing costs

# Income: What Can you Afford?

1. Lender looks at 30-38% of monthly gross minus debt.
2. 70% of payment is principal and interest. The amount you can buy depends on the interest rate.
3. Must also consider homeowners insurance premiums and property taxes (30% of payment, paid to Escrow).

The amount you have down also influences what you can finance.

Example of 30% Total Monthly Payment with no debt load and a 4% Interest Rate:

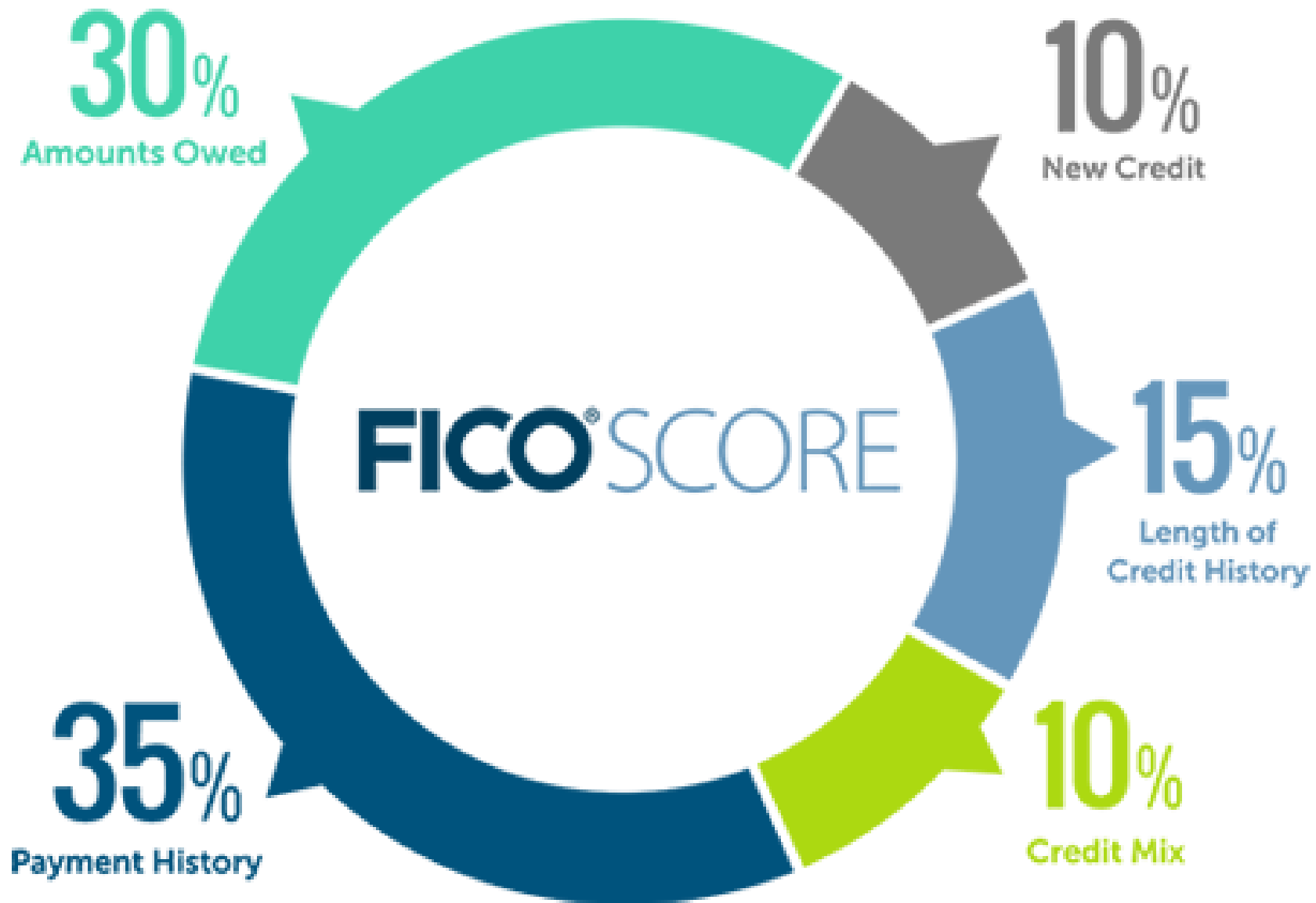
1. Total Monthly Payment	2. Principal & Interest	3. Taxes & Insurance	Amount you can finance
	30K annual income		
750	525	225	102,000
	36K annual income		
900	630	270	123,000

# Looking at Credit

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- Information found on credit reports: Public records, identification, inquiries, and payment history on revolving debt, installment loans and mortgages.
- Standardizes process—goal is to avoid bias.
- FICO score 300-850 higher the better. **670+ golden**
- 3 Credit Bureaus—Equifax, Experian, Trans Union—lenders pull composite score or use mean score from all 3.
- Some creditors report to only 1, occasionally making scores vary.
- Unsettled past dues plunge score.
- To dispute an error contact all bureaus in writing online
- Use letter of explanation that tells why there are black marks on credit history and why things have changed.
- Law requires bureaus to make one free credit report available to you annually—you may request one by phone, mail, or online.

Go to: [www.annualcreditreport.com](http://www.annualcreditreport.com) to get your free annual credit report.





# HIGH DEBT VS. LOW DEBT

**\$550**  
monthly  
debt load

**\$42,000 annual income**

X30%= \$1050

- \$300 car payment

- \$50 student loan

- \$100 Target card minimum

- \$100 VISA card minimum

**\$500 available for mortgage**

= \$67,000 you finance

+ \$50,000 subsidy

**\$117,000 total market price**

**\$42,000 annual income**

X30%= \$1050

No car payment

- \$50 student loan

Pays credit cards every month

No credit card balances

**\$1000 available for mortgage**

= \$152,000 you finance

+ \$50,000 subsidy

**\$202,000 total market price**

4% interest rate

1.37% real estate tax rate



# Fair Housing Act (FHA) Protections

Title VIII of the Civil Rights Act (1968) prohibits discrimination in the rental, **sale and financing** of most dwellings based on...

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**EQUAL HOUSING  
OPPORTUNITY**

**Race** - Based upon traits, e.g. hair, eye shape, skin, bone structure, etc.

**Color** - Color of skin

**Religion** - Religious beliefs or practices

**National Origin (Ancestry)** - Country where individual or ancestors originated

**Sex/Gender** - As of February 2021 this officially includes discrimination based on sexual orientation and gender identity

**Familial Status** - Presence of children under 18 to include pregnant women and families in the process of securing legal custody of a child/children

**Disability** - Physical or Mental

# Housing Discrimination is Illegal!

The Fair Housing Act Protects Against:

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- ⊘ Steering prospective buyers to other neighborhoods
- ⊘ Refusing to rent, sell, make available, or negotiate
- ⊘ Refusing mortgage loan or insurance
- ⊘ Imposing different terms or conditions for various people
- ⊘ Asking about physical or mental disabilities
- ⊘ Threats, coercion, or intimidation
- ⊘ Advertising preference for certain kinds of tenants or homebuyers

# Who Must Comply With Fair Housing Law?

Real estate agents, brokers, lenders, insurance companies, mobile home parks, government housing programs, and multi-family landlords, property managers, maintenance personnel, housing staff, and tenants must comply. Only single-family owners not using an agent are exempt. There are also allowances for senior housing that is based on age.

If you feel like you have been discriminated against, the Fair Housing Law is enforced by the City of Lawrence's Human Relations Commission, the Department of Housing and Urban Development (HUD) and the Department of Justice (DOJ). There is a one year filing period.

**City of Lawrence Human Relations Division: 785-832-3310 or  
<https://lawrenceks.org/attorney/fairhousing/>**

# Mortgage Types

## Conventional Loan

A fixed rate, fixed term loan

Tenants to Homeowners uses conventional loans with income-based down payment.

## Adjustable-Rate Mortgage (ARM)

Mortgage made with an interest rate that will change over a period of time.

Rate starts low and then usually goes way up.

## FHA Loan

Mortgage insured by the Federal Housing Administration.

Lower down payment (3.5%)

## VA Loans

Mortgage guaranteed by the Veteran's Administration

No down payment.

## USDA Loans

Eligible rural homebuyers only

No down payment.

## Contract for Deed

Seller Financed.

Bad idea.

## Habitat Loan

Habitat for Humanity holds their own loans for program participants.



# Predatory Lending

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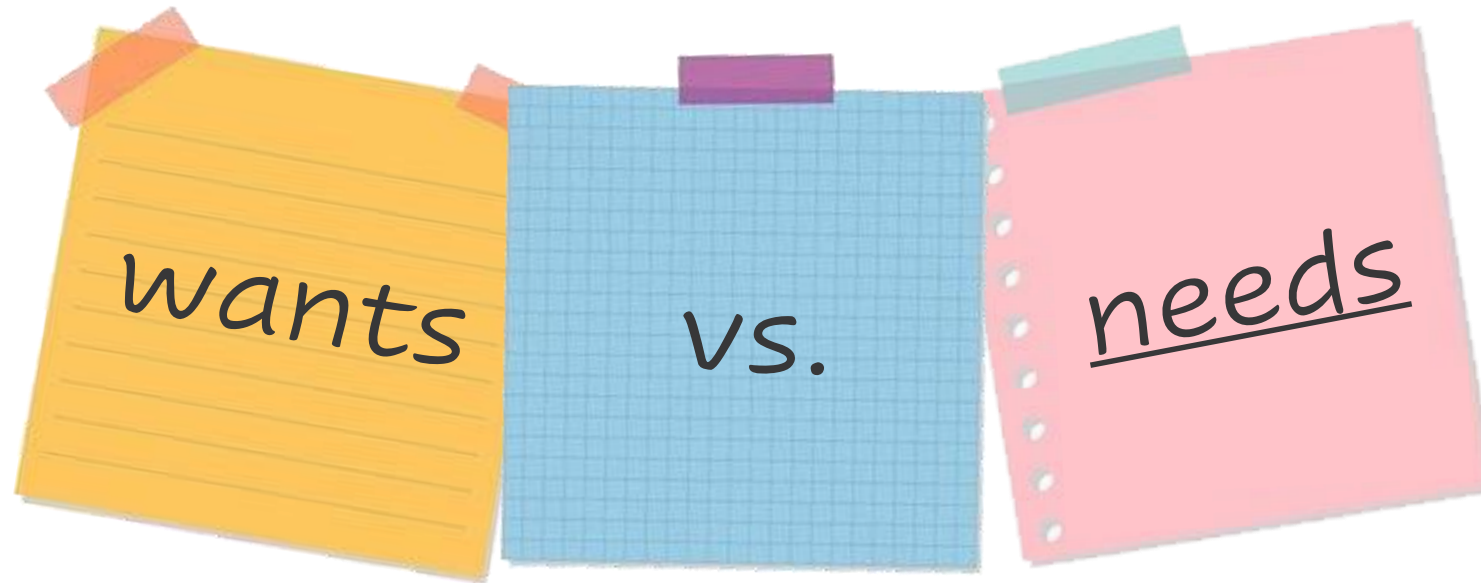
## WARNING SIGNS:

- ✗ Prepayment penalty
- ✗ Lots of fees
- ✗ Ballooning
- ✗ Seems like much more than you can afford
- ✗ Unnecessary Insurance
- ✗ Interest only
- ✗ Not disclosing full payment amount

# Shopping for a Home

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This is an emotional process that requires patience and compromises.



There are not a dozen gems in Douglas County under \$150,000 to choose from, but a few do come up and you need to **be prepared with pre-approval.**

# Realtors' Roles

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Good realtors provide buyers with access, data, advice and administrative capacity.

Agency roles: Seller's Agent, Buyer's Agent, or Transaction Broker

Realtors get paid a % of the listing price (6-7%)

No extra out-of-pocket costs to the buyer to use a buyer's agent.

Buyer's and seller's agents will split commission

Interview them and dump if they are not listening

Exceptions: For Sale By Owner (FSBO), Habitat for Humanity, Tenants to Homeowners





# House Hunting Hints

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This is a major purchase! Find out as much as you can:

Get an  
independent  
home inspection

Look carefully at  
seller's  
disclosure

Drive by at all  
hours

Ask neighbors

Look when it  
rains

Inspector's top  
10 list (in  
handbook)

Get information  
but also trust  
your instincts



# Home Insurance Basics

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- **Actual cash value** vs. full replacement coverage.
- Water damage vs. flood damage
- **Bundling home & car = best discounts**
- Trampolines, dogs, etc. that make coverage difficult or expensive
- Keep deductible at an amount you can get to in an emergency, do not just go for the lowest available. **Low deductible = higher rate.**
- Claims should be used for emergencies. **More claims = higher rate.**
- Before making a claim, talk to your agent, get an estimate, and compare with your deductible.
- Shop around, but remember insurance rates are cyclical and hopping may reduce loyalty deductions
- **Do not** use the lender for insurance

# Transaction Process

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**Contract:** Legal document guides the transaction. A contract can contain any elements, but typically specify: 1. price 2. closing date 3. inspection and 4. other contingencies

1.  You and your realtor make a contract offer
2. The seller's either: rejects, counters, or accepts
3. You are now under contract  pay earnest money
4. Inspections and Negotiations  attend mechanical inspection
5. Seller provides proof of clear title
6. Title Company and Lender prepare closing paperwork
  - lender requests which insurance company you want to use

By closing date: You must  have down payment  sign loan docs  get utilities and insurance in your name  take possession of your new home!

# Pre-Closing

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## DO...

- ✓ Keep original or online employer/bank access to pay stubs, bank statements, etc.
- ✓ Provide earnest money from your own bank account or traceable “gift funds”
- ✓ Tell your loan officer if you plan to receive gift funds at closing
- ✓ Notify the loan officer of any financial employment changes
- ✓ Be aware that a new credit report will be pulled just prior to closing

## DO NOT...

- ✗ Change jobs or employment without inquiring about the impact it might have on your loan
- ✗ Increase debt liabilities by opening new loan accounts before closing
  - This includes making new purchases after preapproval as this could impact final loan approval at close



# Home maintenance when not “if”

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- Water is most damaging
- Furnace filter change is important
- The ground moves and concrete cracks
- Must maintain drainage around house
- Golden rule of maintenance fund: 1% of house value per year to afford system replacement throughout lifecycle



# Lawrence Community Housing Trust

Rebecca Buford, Executive Director

Jasmine Bates, Homebuyer Program Manager

*Call us anytime 785-842-5494*

*[www.tenants-to-homeowners.org](http://www.tenants-to-homeowners.org)*



# What is a Lawrence Community Housing Trust Home?

In exchange for approximately \$40,000 to \$80,000 off the initial price:

- ✓ Homebuyer has title to the improvements
- ✓ LCHT has title to the land, homeowner has right to use the land like any other homeowner
- ✓ Homebuyer agrees to sell at a restricted resale price to an eligible buyer, maintaining affordability
- ✓ 99-year ground lease is the legal instrument that allows us to maintain affordability
- ✓ Homebuyer pays nominal ground lease fee of \$30/month

# How the restricted resale works

We use a resale formula to calculate resale price.

Having ownership of the land is the legal mechanism that allows us to restrict price.

**Resale Price = Initial sales price** to buyer + **25%** of market appreciation

**A family that purchases a housing trust home gets two kinds of equity:**

**EQUITY 1** = All of the money they put down and paid on their first mortgage

**EQUITY 2** = Plus 25% of market appreciation of their home while they lived there

...they also get to live in a home that is valued at **\$40K-80K more** than they could afford on their own.

This often means an extra bedroom, less maintenance, and energy efficiency (lower utility bills).

# Why buy with Tenants to Homeowners?

- Living in a house worth 50K more than you pay means an extra bedroom, a garage, or a new house vs. a 60 year-old house.
- Our homes are Energy Star rated = ~ \$250 monthly savings in utilities
- No Private Mortgage Insurance
- Save \$4000 in closing costs
- Affordable down payment based on your income (5% of annual gross)
- Lower taxes
- Support from TTH throughout homeownership: tool lending library, maintenance help, support in financial emergencies



# Example Sales

In 2021 our average subsidy per home was \$46,000 plus \$4,000 in closing costs bringing our average sale price to just **\$122,100**. The Lawrence Board of Realtors average 2021 sales price was **\$294,591**.

## TTH RESALE: 1812 ATHERTON COURT



**\$130,300**      Sale Date: January 2022

3 bedrooms, 2 bathrooms

Sq Ft: 1,700

Year Built: 2000

Features: 1 car attached garage, walk out basement with finished area

## MARKET SALE: 2524 ALLISON DRIVE



**\$240,000**      Sale Date: October 2021

2 bedrooms, 3 bathrooms

Sq Ft: 1,531

Year Built: 1984

Features: 2 car attached garage, basement with finished area

# Income Qualification

Add the annual gross (before-taxes) income of all adults in your household.  
If that total is less than or equal to the number below your household size, then you are income-eligible

Household Size	1	2	3	4	5	6
Max. Annual Gross Income	\$47,350	\$54,100	\$60,850	\$67,600	\$73,050	\$78,450
Min. Annual Gross Income** FOR KHRC FUNDED PROJECTS ONLY	\$32,513	\$37,163	\$41,813	\$46,425	\$50,138	\$53,888

\*\*Kansas Housing Resources Corporation (KHRC) Moderate Income Housing (MIH) projects require a minimum income of 60% AMI. Our projects in Baldwin City and Eudora are funded with KHRC MIH funds.


# How to buy with Tenants to Homeowners

1. Attend a homebuyer workshop
2. Come in for a pre-qualifying session with TTH
3. Budget counseling at Housing and Credit Counseling Inc. (HCCI)
4. Apply through a Housing Trust lender
5. Get pre-approval from lender
6. Look for a home available through the program that fits your needs
7. Get a contract to purchase your new home, go through the purchasing process with support from TTH.
8. Continued support from Tenants to Homeowners throughout the homeownership journey

**Call us at 785-842-5494 or email [Jasmine jbatestth@gmail.com](mailto:jbatestth@gmail.com) to get started!**



Lawrence  
**Habitat for Humanity**<sup>®</sup>



Habitat for Humanity is a nonprofit organization that helps families build and improve places to call home.

We've been building community in Douglas County since 1989.

**We build strength, stability and self-reliance through shelter.**



# Lawrence Habitat Programs



## 1. Homeownership Program

Families complete a selection process to build and own a home

## 2. Home Repair Program

Critical repairs and Aging in Place

## 3. Pathways to Homeownership Program

Prepares families to become homeowners and go through the application process

# Homeownership Program

**Families who are selected to buy a home must:**

- Meet eligibility criteria.
- Perform sweat-equity hours.
- Attend workshops and classes.
- Pay \$1,200 in closing costs.
- Purchase homeowners insurance.
- Arrange for all utilities and pay any required deposits.

# Selection Criteria

## 1. Ability to pay

- Legal, stable income
- Income falls within income guidelines
- Good credit history (640+)
- The family's income is adequate to make the monthly principal, interest, tax, and insurance payments while also meeting their other debt and living expenses.

## 2. Need

- The family is cost burdened (spending 30% or more on housing)
- Current housing is unsafe, and/or overcrowded

## 3. Willingness to partner

- Sweat equity
- Workshop attendance
- Live and/or work in Douglas or Jefferson County for one year prior to application

# Income Guidelines

Household Size	1	2	3	4	5	6
Max. Annual Gross Income	\$47,350	\$54,100	\$60,850	\$67,600	\$73,050	\$78,450
Min. Annual Gross Income	\$32,513	\$37,163	\$41,813	\$46,425	\$50,138	\$53,888



# House Info

- Habitat house prices are based the appraised Fair Market Value
- Mortgage payments, including interest, insurance and taxes, will not exceed 30% of the family's gross monthly income
- Newly constructed Habitat homes have approximately 1,500 to 2,000 square feet of living space.
- Homes have a reinforced closet for protection in severe weather.
- Habitat builds homes with volunteers but with professional quality and care.

# Pathways to Homeownership

- Families who may not be financially ready to own a home are paired with a volunteer coach/mentor
- The family participates in the Pathways program to prepare for homeownership
- Once graduated from the program, families are encouraged to apply for the Homeownership program through Habitat, Tenants to Homeowners or a variety of other programs
- First step is to fill out an application

# Next Steps



Lawrence

**Habitat**  
**for Humanity**®

## Pick up an application!

- Applications can be picked up at our office or mailed
- Office address 720 Connecticut, Lawrence KS
- To request a mailed application, email [buildinghope@lawrencehabitat.org](mailto:buildinghope@lawrencehabitat.org) or visit [lawrencehabitat.org](http://lawrencehabitat.org) and click on Homeownership

## Questions?

Erika Zimmerman

[director@lawrencehabitat.org](mailto:director@lawrencehabitat.org)

913-369-7037

# What's *your* next step?

**Everyone's path to homeownership is different. Your next step could be:**

- Scheduling budget counseling or student loan repayment counseling with HCCI
- Making a plan to pay down debt, build credit, or save up for homeownership costs
- Picking up an application for a Lawrence Habitat for Humanity Program
- Scheduling a Prequalification with Tenants to Homeowners

Slides and handbook is available at: [tenants-to-homeowners.org/homebuyer-workshop](https://tenants-to-homeowners.org/homebuyer-workshop)



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