

# Financial Literacy

## Purchasing a House Workshop

### Participant Guide

Goodwill of Central and Northern Arizona  
&  
Goodwill of Monocacy Valley

# Purchasing a House

Welcome to the Financial Literacy – Purchasing a House Workshop.

The Purchasing a House workshop is designed to introduce learners to the basic steps involved in buying a home. By the end of this workshop, learners should be able to identify their individual housing needs, explain the homebuying process, and evaluate available housing options.

## **Workshop Disclaimer**

The Financial Literacy Workshops do not imply that you will be approved for a bank account, credit card, or other services provided by a financial institution. We do not guarantee your ability to obtain these services by completing our workshops, and we reserve the right to refrain from consulting learners on their finances. Although certain banking institutions may be mentioned or discussed in this workshop, this does not mean Goodwill endorses those institutions. \*If you are interested in receiving services discussed in any of the Financial Literacy workshops, we recommend you visit a local financial institution in your area and speak with a qualified and competent financial advisor regarding your financial management.





# Purchasing a House

## Knowledge Check

**Directions:** Circle the letter(s) that corresponds to the correct answer.

What can a detailed budget help you plan for when purchasing a house?

- a. Closing costs
- b. Down payments
- c. Monthly mortgage

## Homebuying Hero: Your Real Estate Agent

Do you want to buy a home but are unsure where to start? Have you started looking but feel overwhelmed? Your friendly neighborhood real estate agent can help!

Here is a brief overview of what your real estate agent can accomplish:

- Obtain your pre-qualification letter
- Determine what homes you qualify for in the area
- Help you look for homes
- Submit an offer on your behalf
- Communicate that the offer has been accepted
- Facilitate the inspection of the house
- Make sure the lender orders the appraisal
- Get the final approval from the lender

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- Help you sign documents at the title company
- Hand over your keys!

\*Most real estate agents can be found by word of mouth. You can search for one on your own, but friends and family can help you find an agent with great reviews.

## Knowledge Check

**Directions:** Circle the letter(s) that corresponds to the correct answer.

Which of these loan options provides financing specifically for veterans?

- Fixed rate
- Conventional
- Adjustable rate

## Activity: House Hunting Wishlist

**Directions:** Consider your housing wants and needs. Record your answers below.

### The Basics

1. What part of town (or country) do you want to live in?

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2. What price range would you consider?

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3. Do you want to live in an area with good schools?

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4. Do you want an older or newer home (less than five years old)?

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5. How large a house are you interested in?

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6. What style of house appeals to you most?

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### The Basics (Continued)

7. How much renovation would you be willing to do?

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8. Do you need to be close to public transportation?

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9. Do you have any physical needs that must be met, such as wheelchair access?

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**Directions:** Consider your housing wants and needs. Record your answers below.

The Lot	Must have	Would Like to Have
Fenced yard		
Garage		
Carport		
Patio/deck		

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Pool		
Outdoor spa		
Extra parking		
Other buildings (barn, shed, etc.)		
Special view		

### The Interior

12. How many bedrooms *must* you have? \_\_\_\_ Would you like to have? \_\_\_\_

13. How many bathrooms do you want? \_\_\_\_\_

14. How big would you like your house to be (square feet) \_\_\_\_\_

**Directions:** Consider your housing wants and needs. Record your answers below.

The Interior	Must have	Would Like to Have
Air conditioning		
Wall-to-wall carpet		
Ceramic tile		
Hardwood floors		
Eat-in kitchen		
Separate dining room		
Formal living room		
Family room		
Greatroom		
Separate den or library		
Basement		
Separate laundry room		
Fireplace		



## Community Features

**Directions:** Consider your community wants and needs. Record your answers below

15. Do you want to live in an area with a Community Association? \_\_\_\_\_

Community Features	Must have	Would Like to Have
Community pool		
Golf course		
Basketball court		
Tennis courts		
Clubhouse/activities		
Gated Community		

18. Are there any other unique features or needs you must consider when looking for a home? \_\_\_\_\_

\_\_\_\_\_

## Knowledge Check

**Directions:** Circle the letter(s) that corresponds to the correct answer.

Which of these terms measures housing costs in relation to income?

- a. Sustainability
- b. Earnest money
- c. Conventional loans
- d. Affordability

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## Buying a House Activity

### Introduction

It is a huge decision to become a first-time homeowner. Many things need to be considered. Three critical factors are the price of a home, mortgage interest rates, and a person's salary. In this activity, we will look up current values for these three factors and compare them across the United States. We will see how current interest rates affect the mortgage a person can afford.

### Part I: City Comparison

Use the [www.homefair.com](http://www.homefair.com) website and choose two cities you would like to live in. Use the city reports link to retrieve the information below. Fill in the table below.

City/State	3-Bedroom Home Price	Property Tax Rate

### Part 2: Shop for a House

**Directions:** Use <http://www.realtor.com> to shop for two homes using the cities you chose above. One home must be averaged-priced, and the other home will be your dream home idea. These two homes do not necessarily have to be located in your two cities. Make sure you do not use rental property because you are buying a home. Fill in the table below and print the home listing from realtor.com so you can reference it later.

City/State	Square Footage	Total Price of Home	Bedrooms	Bathrooms	Features

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## Part 3: Shop for a Mortgage

**Directions:** Use <http://www.bankrate.com/brm/mortgage-calculator.asp> to calculate the cost of a 15- and 30-year fixed mortgage for all five homes. Fill in the table below.

City \_\_\_\_\_

<b>Cost Factors</b>	<b>15-Year Fixed</b>	<b>30-Year Fixed</b>
<b>Price of Home</b>		
<b>Down Payment Amount (20%)</b>		
<b>Amount Borrowed</b> (Price of Home – Down Payment Amount)		
<b>Interest Rate</b>		
<b>Payment</b>		
<b>Total Paid Back to Bank</b> (Principal + Interest)		
<b>Estimated Property Tax Amount</b>		
<b>Estimated Closing Costs</b> <ul style="list-style-type: none"> <li>• Charged 2 points</li> <li>• Attorney- \$450</li> <li>• Title- \$390</li> </ul>		
<b>Escrow Account payment</b>		

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## Part 3: Shop for a Mortgage (Continued)

**Directions:** Use <http://www.bankrate.com/brm/mortgage-calculator.asp> to calculate the cost of a 15- and 30-year fixed mortgage for all five homes. Fill in the table below.

City \_\_\_\_\_

Cost Factors	15-Year Fixed	30-Year Fixed
<b>Price of Home</b>		
<b>Down Payment Amount (20%)</b>		
<b>Amount Borrowed</b> (Price of Home – Down Payment Amount)		
<b>Interest Rate</b>		
<b>Payment</b>		
<b>Total Paid Back to Bank</b> (Principal + Interest)		
<b>Estimated Property Tax Amount?</b>		
<b>Estimated Closing Costs</b> <ul style="list-style-type: none"> <li>• Charged 2 points</li> <li>• Attorney- \$450</li> <li>• Title- \$390</li> </ul>		

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## Part 4: Affordability

How much money do you need to earn monthly to afford your home? What career would provide you with enough income to afford your home? Pick three occupations and find out what the average salary is for each.

**Directions:** Use <http://www.bls.gov/oco/> to access the **Occupational Outlook Handbook** to find the average salaries for your careers. Click on "Index to the Handbook," select the occupation you are interested in, then click on "Earnings."

Career	Median Annual Salary	Taxes (Median Annual Salary x .30)	Median Annual Net Salary (Median Annual Salary - Taxes)	Monthly salary (divide the median annual net salary by 12)	Amount Available for House Payment (no more than 28% of monthly salary)	Can you afford the house of your choice with this career? Yes/No

# Purchasing a House

## Home-Buying Vocabulary Terms To Know

- 1. Buyer's Agent:** The buyer's agent is, as the name implies, the agent who represents the buyer or buyers in a real estate transaction. The buyer can be an individual, a couple, or a corporate entity, and this person will conduct negotiations between the buyer and seller.
- 2. Listing Agent:** The listing agent is the real estate professional representing the seller in a real estate transaction. The seller could be an individual, a couple, a corporation, or a business.
- 3. Fixed-Rate Mortgage:** A fixed-rate mortgage is a banknote for a borrower's real estate purchase. These notes offer a stable and predictable interest rate that doesn't rise or fall throughout the loan.
- 4. Adjustable-Rate Mortgage (ARM):** An adjustable-rate mortgage (ARM) is a banknote to cover the cost of a borrower's investment in real property. These notes typically offer lower interest during the initial years of the loan and fluctuate (higher or lower) during the remainder of the term.
- 5. Closing Costs:** The fees incurred when you're buying a home or commercial property are considered closing costs. These are finalized at the closing when the title for the actual property transfers from the seller to the buyer. The transaction will not conclude until you pay this.
- 6. Contingencies:** Contingencies in real estate refer to the seller's actions to make the home acceptable to the buyer. These might include agreed-upon repairs to the house.
- 7. Earnest Money:** Earnest Money refers to funds sent from the buyer to the seller along with an offer letter. The money indicates that the seller is "earnest" and sincere in their bid for the property. Your realtor may also call this "good faith money," but it means the same thing.

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## Home-Buying Vocabulary Terms To Know (Continued)

- 8. Escrow:** A fund that a third party guards during a real estate transaction. In most cases, this is a title company or an attorney. Any deposits or funds during the process are held in this account until closing. The funds then disburse to the correct party (usually the seller).
  
- 9. Home Inspection:** The term home inspection means a qualified third party will assess the home's condition and inform you of any significant or minor issues.
  
- 10. Pre-Approval Letter:** This letter indicates the amount of money the bank is willing to extend to that borrower. While it's not a formal mortgage approval, it serves an essential purpose. This letter proves to the sellers and both agents that the buyer is credit-worthy in the eyes of the bank and serious about buying the property. Additionally, it helps the buyer's agent steer their client to a home within their means.
  
- 11. Pre-Qualified Buyer:** A pre-qualified buyer is a person who is seeking a real estate investment and also has a pre-qualification letter in hand. This proves the intent of investment in a property.

# Purchasing a House

## Additional Notes

**Directions:** Capture any additional notes regarding the workshop below.

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## Follow Up Questions

**Directions:** Write down any questions you may have that you would like to follow up on at the end of the workshop.

Question: \_\_\_\_\_

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Question: \_\_\_\_\_

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Question: \_\_\_\_\_

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