

HOUSING PLAN COURSE: TABLE OF CONTENTS

INTRODUCTION

- Housing: A Big Expense and a Potential Setback

SIZE UP YOUR HOUSING SITUATION

- Calculate Your Housing Costs
- Rent and Mortgage Guidelines
- Know Your Debt-to-Income Ratio

ANALYZE YOUR CIRCUMSTANCES

- How Much House Do You Need?
- Why Rent?
- Why Own?
- Estimate Moving Costs
- Calculate Cost of Living

MAKE YOUR HOUSING PLAN — I WANT TO RENT

- Get Ready to Rent: Upfront and Recurring Costs
- Renter Rights and Responsibilities
- Landlord Rights and Responsibilities
- Types of Lease Agreements
- Renters Insurance



MAKE YOUR HOUSING PLAN — I WANT TO OWN

- Why Buy?
- How Mortgages Work
- What To Look For in a Lender
- Homeowners Insurance
- Managing Your Mortgage

HOUSING RESOURCES



Why Take This Course?

Do you ever wish you knew more about personal finance? No matter where you are in your financial journey, there always is more to learn. SAM's free online courses are not intended as financial advice, but as a starting point to raise awareness, to increase skills and knowledge related to personal finance, and to guide you to helpful resources.

Research shows that financial education is most effective when it is relevant to a decision you are faced with right now. This course covers:

- Analyzing current housing expenses and opportunity costs.
- Tips for how to decide whether to rent or own.
- Preparing your finances to rent or buy a home.

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INTRODUCTION



11.7x

The average person in the United States can expect to move 11.7 times in their lifetime.



9.1x

At age 18, you can expect to move 9.1 more times.



2.7x

At age 45, you can expect to move 2.7 more times.

On the Move

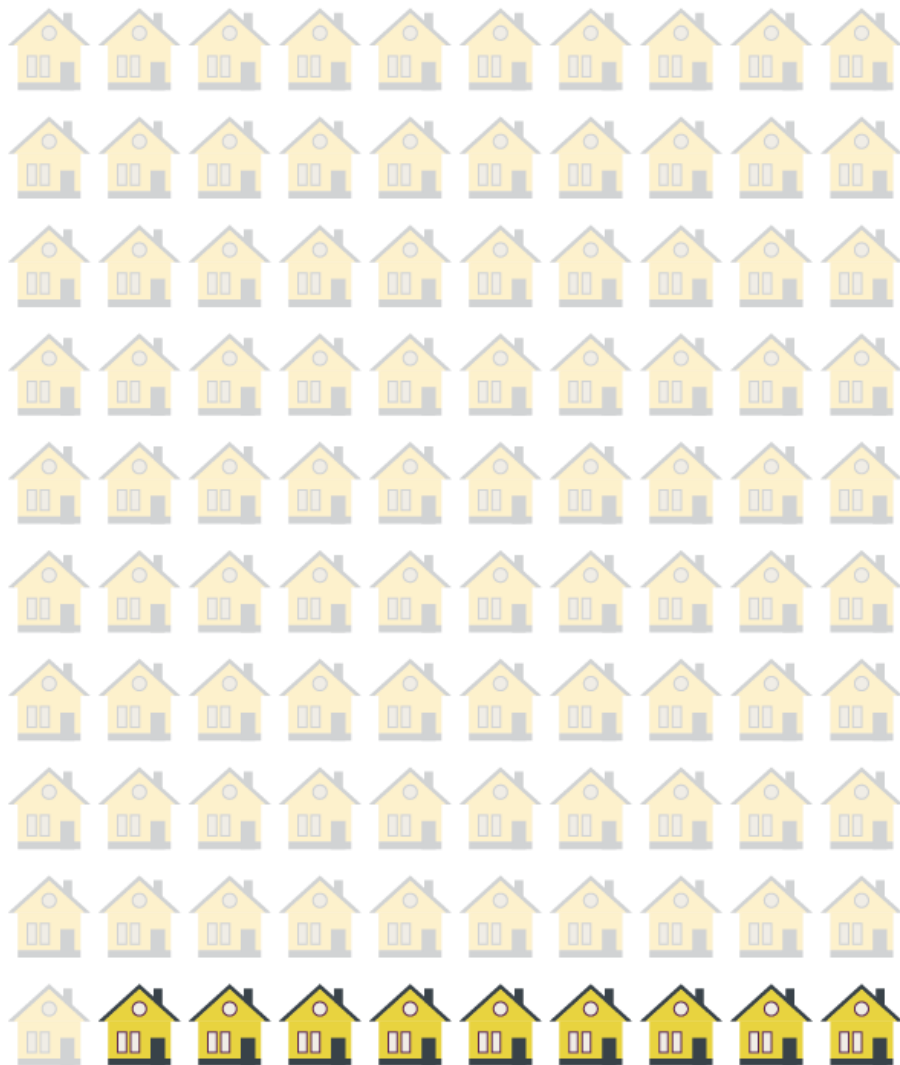
Change is inevitable. As you age, your housing preferences will change too. While United States Census data show that most Americans move only a couple times after age 45, those later-in-life housing decisions can be some of the most financially challenging if you're unprepared.

Whether you are just starting out on your housing journey or you are looking to downsize for retirement, there are some basic questions to consider. This course will help you assess your housing needs and consider what it would take financially to upgrade to the home of your dreams.

Housing: A Big Expense and a Potential Setback

Owning a home still is the cornerstone of the American Dream, but the U.S. rental market has boomed in recent years. More renters means more competition for fewer units and higher rents overall.

In 2014, the national vacancy rate was just 7.6 percent (down from an average 9 to 10 percent in the previous decade) and rents rose 3.2 percent — twice the rate of inflation. In the cities hit hardest by rising living costs, rents spiked 10 percent. This has increased the share of households that are defined as “cost-burdened,” which means that they are spending 30 to 50 percent of their gross income on housing.



A 7.6 percent vacancy rate means that out of 100 percent of the rental properties in the United States, 92.4 percent are currently occupied. Put another way, if 100 renters went looking for an apartment in a city with an 8 percent vacancy rate, only 8 out of 100 would be able to find an available apartment.

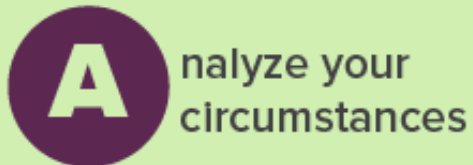


Make a “SAM” Plan

You make decisions every day – some are easy but others require complex thought and planning. When you decide to make a change in your housing or if life circumstances prompt you into making that change, you want to take a methodical approach using the SAM action steps.



Are you satisfied with your current living arrangement? Think about where you want to live next. What would you hang on to or change? What are your current housing costs?

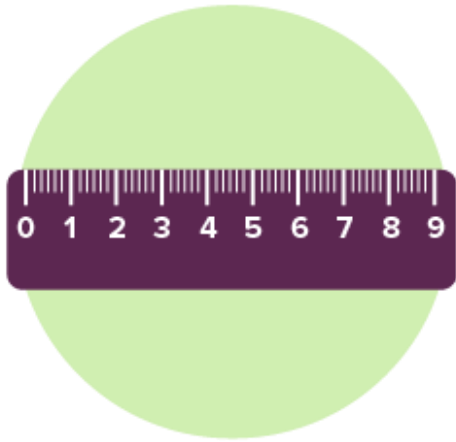


Does your current housing situation align with your preferences? Can you afford your current living expenses? Are you financially ready to change your housing situation?



If you want to change your housing situation, what adjustments need to be made? What is your long-range game plan to adjust your housing needs as your life circumstances change?

SIZE UP YOUR HOUSING SITUATION



Lenders and landlords will use different guidelines, but they all will want to know the same thing: Can you afford the payment and will you make it on time? They will look at the following to determine your creditworthiness:

- ✓ Income from all sources
- ✓ Financial obligations – including other loans, credit cards, leases, etc.
- ✓ Credit history
- ✓ Checking and savings account balances
- ✓ Debt-to-income ratio (the percentage of your gross income taken up by recurring financial obligations such as loans, leases, revolving credit, child support, etc.)

What Makes a Good Borrower?

Lenders are looking for the same qualities that you look for when you lend someone something. If a friend borrows a book, you hope they return it in good condition. If you lend a family member money, you hope that he or she will pay you back on time, according to terms that you both agree on.



Dig deeper with SAM's Credit and Debt Basics Course.



Calculate Your Housing Costs

There are varying guidelines for how much to spend on housing, but it all begins with your income. How much you make will determine what you can afford.

To calculate your housing costs:

- Total all of your monthly housing expenses
 - If you are renting, include your rent, utilities and renters insurance.
 - If you own, include your mortgage, property taxes, homeowners' insurance and homeowners' association (HOA) fees.
- Divide this figure by your gross monthly income (before taxes and any other adjustments).
- The amount, expressed as a percentage, shows how much of your earnings are used to pay for housing.

For example:

Monthly housing expenses = \$1,300

Monthly gross income = \$4,000

$$1,300 / 4,000 = 0.325$$

(move the decimal two places to the right)

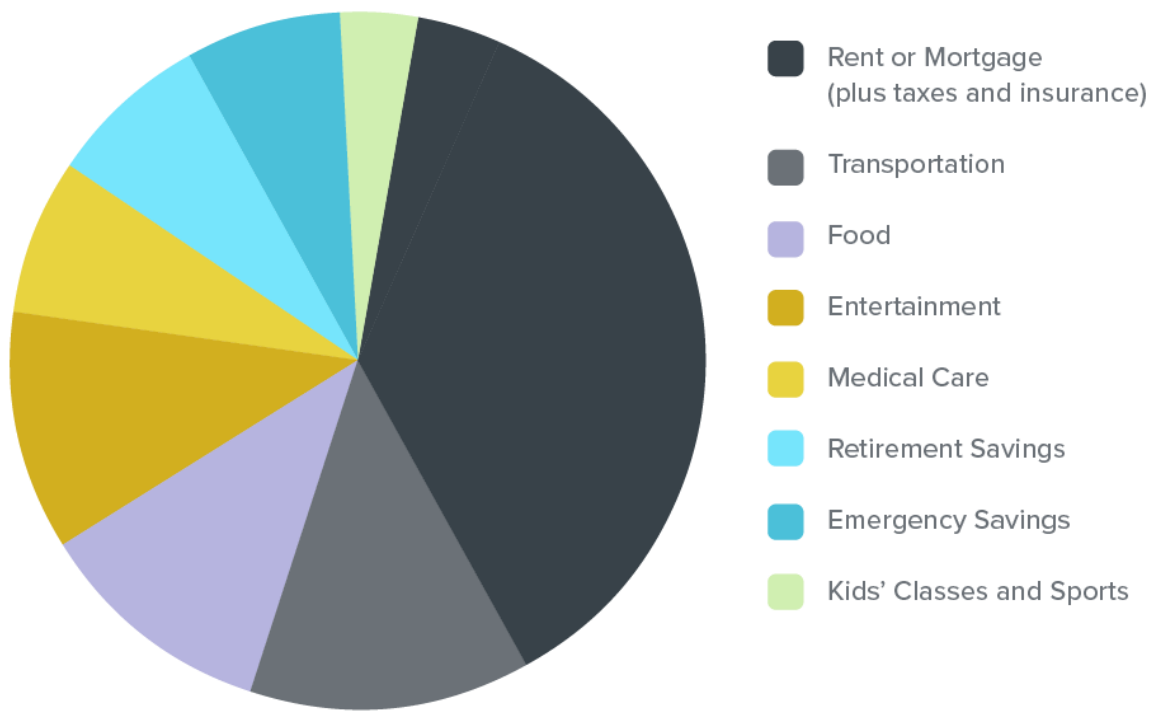
= 32.5 percent

Are You Cost-Burdened?

If you spend 30 percent or more on housing costs, you are considered cost-burdened, meaning that you could have problems paying other bills due to high housing expenses.

Think of it this way: If 30 to 50 percent of your gross paycheck (income before taxes) is taken up by rent and mortgage costs, that leaves only two-thirds to half of your income left to cover other things.

High home costs make it harder to meet other expenses



To figure out what 30 percent of your monthly income is, multiply your gross income by 0.30.

\$4,000 (monthly gross income) x 0.30 (30 percent with the decimal moved two places to the left) = \$1,200.



Know Your Debt-to-Income Ratio

In addition to your income, mortgage lenders calculate your debt-to-income ratio (DTI) to estimate the likelihood that you will be able to repay your mortgage loan. Your DTI shows how much you owe (your debts) compared to how much you make (your income).

Even if you have no plans to buy a home, it still can be helpful to calculate your debt-to-income ratio for a better understanding of how your debt impacts your ability to meet other obligations.

To calculate your DTI:

- Total all of your monthly debt – include your mortgage, all loans (home equity, car, student, etc.), the minimum monthly payments on all credit cards, and any other recurring debts for child support, alimony, personal loans, etc.
- Divide this figure by your gross monthly income (before taxes and any other adjustments).
- The amount, expressed as a percentage, is your debt-to-income ratio. It shows the percentage of your earnings that are used to pay your debts.

For example:

Monthly debt obligations = \$800

Monthly gross income = \$4,000

$$800 / 4,000 = 0.20$$

(move the decimal two places to the right)

= 20 percent



Rent and Mortgage Guidelines

As a general guideline, it is recommended that you keep your rent (rent burden) or mortgage payment below 40 percent of your gross (pretax) annual income.

This is just a guideline, and your situation is unique. Even if you currently spend more than 40 percent of your income on housing and have no difficulty paying off debts or meeting other obligations, you still might explore lowering your housing costs for other reasons — such as paying off your debts faster or saving more money for emergencies, retirement and investments. Once your current needs are met, it's time to think about the needs of the "future you."

Mortgage Lender Guidelines

When you apply for a home loan, lenders look for your housing costs (principal, interest, property taxes, and homeowners' insurance — or PITI) to be around 28 percent of your gross income, lower than the 40 percent guideline. The other common industry standard is for your debt-to-income ratio (i.e., PITI plus consumer debts) to be no more than 36 percent.



Check Your Credit

Mortgage lenders and landlords want to make sure you will be able to pay your housing obligations. To make this determination, they will look at your credit report and credit score. Each year, you are entitled to one free copy of your credit report from each of the three credit reporting agencies: [Experian](#), [Equifax](#) and [TransUnion](#).

You can request your credit reports at AnnualCreditReport.com.

What's in a Credit Report?

A credit report serves as your credit reference. Credit reporting companies provide information about your

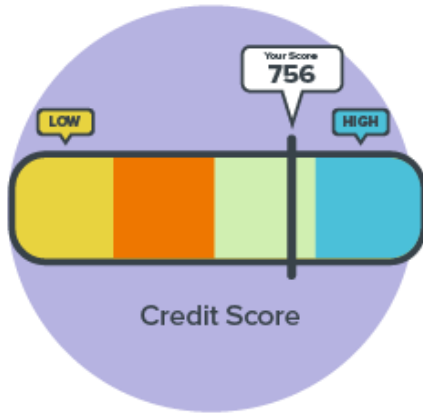
credit history so that other potential lenders can decide to lend to you or not. Your credit report includes information about:

- Where you live and work
- Amounts, credit limits and balances of past and current credit accounts
- Your payment history, including late payments to other creditors
- Any unpaid debts, including those that have gone to collections
- Bankruptcies



Correct Errors on Your Credit Report

Part of the process of maintaining good credit is watching for errors on your credit report that are not your fault. Some errors are honest mistakes, while others can be the result of a thief stealing your identity. Learn about correcting credit report errors in SAM's Credit and Debt Basics Course.



Know Your Credit Score

Lenders and landlords use your credit score to estimate how risky it would be to lend you money. Your credit score is a simple way of representing your creditworthiness based on your past and present actions.

Different lenders use different scoring methods, and your score can change over time. Your credit score will reflect:

- How much credit you have used compared to what is available for you to use
- How often you apply for new credit
- How long you have used credit
- The types of accounts you have and the number of accounts you have
- How you have used credit in the past
- Any legal proceedings against your credit

A good score depends on the scoring model that is used, but a majority of lenders will look at your [FICO score](#).

Improve Your Credit

To keep a good credit rating or to improve your credit:

- ✓ Pay your bills on time, all the time – even if it's just paying the minimum due.
- ✓ Use existing credit wisely to establish a good payment history.
- ✓ Don't hit the credit limit — pay down any high debt.
- ✓ Avoid taking out new credit when you don't need it.

ANALYZE YOUR CIRCUMSTANCES

Can You (And Should You) Afford It?

Just because you can do something doesn't mean you should do it. Your parents might consider buying a home a no-brainer. Your friends might want to live in a trendy neighborhood. But these are big decisions. It is important to make sure that you are coming to sound conclusions on your own. Ideally, your living situation should bring you joy, security and comfort — not stress and worry about paying your bills.

Gut-Check Time

The Financial Planning Association (FPA) recommends asking yourself the following four questions before you decide to buy a home. These also can apply to renting your next home.

Question	Yes	No
Is your credit in good shape? Lenders and landlords will want to analyze your ability to pay your mortgage or lease.		
Do you have a steady job history? Most lenders and landlords will want to see evidence of steady employment for two years. You will be asked to explain gaps in your employment history.		
Can you really afford to make the monthly payments? Take into account all your monthly debts and the recommended guidelines for mortgages and rent payments.		
Have you saved for a down payment, closing costs, move-in costs or other fees?		



If you answered “no” to any of the above questions, the FPA suggests you wait and give yourself more time to get financially ready to buy or rent your home.



How Much House Do You Need?

Not everyone would choose to live in a mansion, even if they had the money. Some people prefer cozier spaces and find big houses overwhelming.

Some people love having lots of room inside, and don't mind just a small patch of yard, while others would give up square footage inside for a big plot of land.

Think about all the members of your household — will your kids need separate rooms soon? Are you tired of making your in-laws sleep on the sofa when they visit? Have you always wanted a separate dining room or detached garage?

Activity

Make a list of the types of space, rooms, storage and outdoor areas that you prefer. Don't hold back at this point — this is just to get a clear sense of your ideal situation. But be somewhat realistic as well. It's fun to fantasize about your dream house, but it's more useful to brainstorm what type of home would make you feel secure and comfortable, allowing you and your family to thrive.



What's In a Neighborhood?

Whether buying or renting, when you move to a new area, you are becoming part of a larger neighborhood community where you will want to feel at home.

What makes a good neighborhood? Here are a few things to consider:

- **Crime rate** – Check out whether crime rates are increasing or decreasing in your proposed neighborhood. [RAIDS Online](#) offers a quick crime mapping tool, but the most reliable source will be the local police department.
- **Schools** – Families with children will want a good school and school district. Check out [GreatSchools.org](#) for more information about the district and particular school your child might attend.
- **Transportation** – Is there nearby access to public transportation? Even those living in suburban areas may need public transportation if the car breaks down.
- **Commute time** – As of 2013, the U.S. Census reported that 86 percent of U.S. workers commuted to work by car, and 3 out of 4 drove alone. Long commute times can impact your pocket book (gas), [your health](#) (cardiovascular and metabolic health), and your general level of satisfaction.
- **Shopping, restaurants and entertainment** – Unless you live in a rural location, nearby amenities for grabbing a bite or seeing a show can be an important consideration.
- **Lifestyle match** – Consider your life stage. Single professional? Perhaps a downtown condo with access to bars and restaurants. Retiring? Maybe you want a patio home where someone else handles yard maintenance. Married with children? You might want a suburban neighborhood with other families.
- **Weather and climate** – If you're a fan of the outdoors, you'll want a climate suitable to your adventures. Use the [Weather Channel](#) to check out regional forecasts for your potential new locations.
- **Health care** – Check out access to health facilities (hospitals, urgent care, doctors) as well as recreational facilities.

Activity

Identify a neighborhood where you think you would like to live. If possible, visit that neighborhood and envision what your life might be like if you lived there. Which grocery store would you go to? How hard would it be for you or your guests to find street parking? Are there parks or trails nearby where you would walk your dog? Is the neighborhood bike-friendly? Make a list of your “must-haves” and “nice-to-haves” in your next home’s location.



Prepare for Expected (and Unexpected) Life Changes

Whether you are a homeowner or a renter, unexpected events will test even the best-laid spending plans. In addition to life's surprises, your housing needs might change in more predictable ways, for example, as children are born and move out, as parents age and as you prepare for your own retirement.

Build Up Your Emergency Fund

Having a monthly budget for your new place is one thing, but what happens when you suddenly need a new furnace or your car breaks down the week after you move?

Illness and employment can be equally unpredictable. If you were laid off or temporarily disabled, how long could you pay your bills without borrowing or relying on credit cards? [Research shows that many Americans could not cover a \\$400 expense out of pocket.](#)

Jeronna's Story

Jeronna Bolden thought she had done everything right, until the job she had been promised fell through and she found herself homeless with her 6-year-old son.



Dig deeper with SAM's Emergency Fund Plan Course.



Housing Needs in Retirement

As the Baby Boomer generation ages, the average age of Americans is rising as well, and that means more people transitioning out of their family homes and into more manageable living situations for their later years.

Be realistic and get a clear picture of your finances before rushing to move. You might consider:

Downsizing

If you no longer need a large home, you could downsize your accommodations. That may mean moving to a smaller traditional home or renting, which could mean less overall maintenance and cost.

Retirement Community


If you want little or no maintenance responsibilities, you could move to a retirement community or a condominium. The downsides to shared-living arrangements such as these are homeowners' association fees, which typically increase over time to keep pace with inflation and generally are not tax-deductible.



Housing is just one aspect of your retirement plan. Visit MyRetirementPaycheck.org for more on how to pay yourself in retirement.

Why Rent?

Homeownership is not for everybody. If your job isn't stable or if you travel often, purchasing a home may not be worth the expense. And, if you have credit problems, you are living paycheck to paycheck or if you find it difficult to prove your income, it may be tough to qualify for a mortgage. If you don't want the responsibility of home maintenance and you're not sure of your future plans, renting may be an excellent choice.



Potential Advantages of Renting	Potential Disadvantages of Renting
<p>Renting is a short-term commitment. If you decide to move for any reason, it's easier than trying to sell a home.</p> <p>Your landlord usually is responsible for maintenance and repair work.</p> <p>Move-in deposits are much lower than the down payment and closing costs when buying a house.</p>	<p>You will not build equity by paying rent.</p> <p>You cannot claim a tax deduction for interest and taxes on a mortgage.</p> <p>Your rent can increase from year to year, and there often is little you can do about it.</p> <p>Your rights to personalize the property may be limited.</p> <p>You may have restrictions on pets, noise, occupancy, etc.</p>



Renters: Beware of Missed Opportunity Costs

Before you sign your next lease, consider some of the potential opportunity costs of renting rather than owning:

- By renting, you miss the opportunity to build equity in a home. When you buy a home, every mortgage payment goes toward paying off some of the money that was borrowed (principal). Home equity is the difference between the market value of a home and its outstanding debt balance. It also is considered one of the most effective ways to build up savings.
- When you rent, your payments go to helping the landlord pay his or her mortgage, not to building your equity.
- Renters miss out on income tax write-offs. Homeowners can deduct mortgage interest and property taxes on their annual tax returns.


As rents increase, you might find that monthly mortgage payments are less than monthly rent, depending on your circumstances. Homeowner tax advantages might even make it possible for you to buy more home than you rent for the same monthly payment. However, keep in mind that buying a home typically requires a large down payment and good credit history.

Help for Homeowners

There are programs available to help potential homeowners. Check out the Resources section of this course for some places to start.

Why Own?

Owning a home gives you several important financial benefits, including equity, tax write-offs and the opportunity to leverage a small amount of your own money to make an investment of much larger value.



Potential Advantages of Owning	Potential Disadvantages of Owning
<p>Homes typically increase in value over time (although this is not guaranteed).</p>	<p>Homeownership is a long-term financial commitment.</p>
<p>Home equity can be leveraged to help with other financial goals in the future.</p>	<p>You are responsible for all maintenance and repairs.</p>
<p>Costs can be more predictable and easier to control.</p>	<p>Buying requires a sizable down payment, closing costs and moving expenses.</p>
<p>You control decorating and renovations.</p>	<p>There is no guarantee that the value of your house will increase.</p>
<p>There's pride in homeownership, which ties you to your community.</p>	<p>Transitioning out of a home you own requires more effort than moving out of a rental property.</p>
<p>There is less risk of being forced out due to circumstances such as rising rents or the owner deciding to sell the rental property.</p>	<p>Renters generally are not responsible for finding new tenants, but homeowners need to find a buyer and make a favorable sale.</p>



Estimate Moving Costs

Moving to a new place or new city can open up new opportunities, but keep in mind that moving is, in itself, expensive and often stressful.

The True Cost of Your Move

Whether you plan to rent or buy your next home, plan ahead to cover moving costs. Every situation is different, so not all of these will apply. Some costs apply to both renters and buyers.



Renters and Buyers

- Missed work time
- Transportation costs if relocating to a new city or state
- Physical moving costs (hiring movers, renting a truck, etc.)
- Cost to clean and repair damage to your current home before you move out
- Set-up fees for your new household utilities, cable, and Internet
- Cost of any new furniture, accessories, window hangings and floor coverings
- Repair and replacement costs of any items damaged or lost during the move



Renters

- Rental application fee
- Credit and background check fees
- Security deposit
- Pet deposit
- First and last month's rent



Buyers

- Realtor fees
- Mortgage application fees, including a credit check
- Down payment
- Closing costs

Don't Count On That Security Deposit

If you are hoping to apply the security deposit from your current place to the deposit on your next apartment, don't count on it. Check your lease, but most landlords have a grace period of at least 30 days to return your deposit to you. And even then, you are not guaranteed to get the total amount back.



Calculate Cost of Living

Moving to a new city can be exciting and invigorating, but a change of scenery also can come with an increase in cost of living.

Before committing to relocate — even if you have a job offer that pays more — consider the cost of living in the new location. Daily expenses such as food, parking and public transit can vary dramatically depending on where you live.

Cost-of-Living Calculators

- The [CNN Cost-of-Living calculator](#) compares how far your salary will go in U.S. cities.
- The [Living Wage Calculator](#) estimates the cost of living, including some common expenses in a particular community.
- [Sperling's Best Places Cost of Living Comparison](#) lets you compare the cost of living from one city to another using your current income.

MAKE YOUR HOUSING PLAN: I WANT TO RENT



Get Ready to Rent: Know What You're On the Hook For

Before you sign a lease, make sure you and your budget can support additional expenses beyond rent.

Check with your potential landlord to be sure what is covered in the rent and what is extra, such as:

- Parking
- Utility fees (electricity, gas, water)
- Phone service
- TV service
- Internet service
- Trash pickup
- Common area use fees
- Renters insurance to protect the personal items in your rental unit from theft, fire, storms and other damage



Don't be afraid to ask what average amounts were paid by the previous tenant for utilities such as gas, water and electricity. You can control how high you turn up the A/C, but you can't control high energy costs due to poor insulation and drafty windows.



Ali's Story

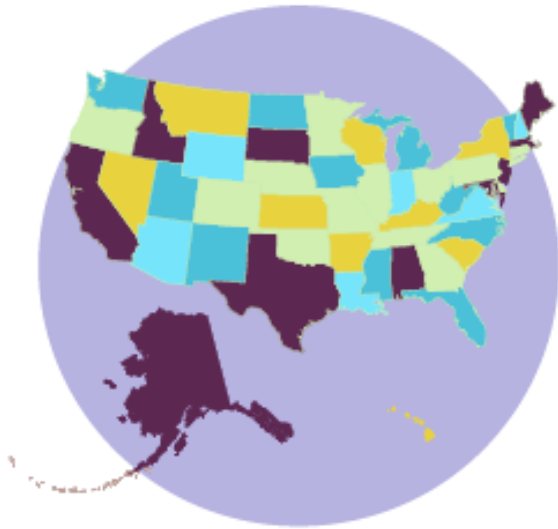
"I've always dreamt of living in my first apartment, all decorated cute, and something that when someone came to visit, I could be proud of," says Ali Kvidt, a freelance photographer and nanny who lives in Minneapolis.

But for Ali, the reality of planning, preparing and paying for the move to her first place was more complicated than she expected.

One of the biggest things that took her by surprise was the extra cost she hadn't anticipated.

"Of course, I always knew that the deposit, application fee and electricity would need to be paid," she says. "But I guess I never took into account that my Internet, cable, water, heat and trash, especially, would need to be paid. I guess I always figured that came with the rent."

Ali could've let herself get tripped up by the extra expenses or ignore them completely — throwing them on a credit card like they were no big deal. Instead, she planned ahead, saved up, and successfully made the big move.



Research Rental Rates

Rental rates are soaring because of increased demand. When the housing market dipped in 2008, many homeowners were displaced. Plus, saving money for a down payment on a home has gotten harder with more people struggling to pay down student loan debt and save for retirement.

What is the average cost for a rental in your state?
Let's find out:

- Think about the state in which you live and mentally calculate what you think the average price is for a rental unit in your state.
- Now use [this interactive map from MyApartmentMap.com](https://www.myapartmentmap.com) to see what the actual average is for the state in which you live.

Were you near the actual amount? Are you surprised? Before you shop for a rental home in your specific area, having information on average rental prices, especially depending on the size and number of bedrooms, can be helpful.

Renter Rights and Responsibilities

You have certain rights and responsibilities as a renter. Likewise, your landlord has her own rights and responsibilities. These can vary by state and situation, so it's important to know what applies in your case.

Your Rights

Generally speaking, you have a right to a habitable environment:

- Heating and air conditioning must work.
- Toilets and hot water heater must work.
- Door locks must work.
- The roof must be in a good condition (e.g., it should not leak).
- Windows must be in working order and not sealed.
- Appliances that are supplied (like the refrigerator, stove and garbage disposal) must be in working condition.

Most of these rights fall under the “implied warranty of habitability” which is a warranty (implied by law simply by leasing the property) that the landlord promises that the property being leased is safe and suitable to be lived in. Breaking this implied warranty can be grounds for the renter to break the lease, and in some instances, to sue the landlord.



[*Learn More About Renters Rights*](#)

[The U.S. Department of Housing and Urban Development \(HUD\) offers state-by-state assistance for renters](#) to learn more.



Renter Responsibilities

Your responsibilities as a renter will vary too. It is important to understand your rental agreement so that you know exactly what your responsibilities are, especially concerning maintenance and repairs. For most renters, these responsibilities will be addressed in the lease agreement:

- You will maintain the property in a clean and habitable condition.
- You will inform the landlord when issues arise that could harm the value of the property.
- You will pay for any repairs due to your negligence or misuse of the property.

When You Can't Pay Rent

Most landlords will not evict you if you are a bit late paying your rent, although you may be charged a late fee. But if you find that you cannot pay your rent or your income is drastically reduced, you need to be proactive about contacting your landlord. The important thing is to communicate.

- Ask to negotiate a late payment in advance of your payment date.
- Offer to pay some of the rent by the due date.
- Explain your circumstances and how you expect to resolve them so that your rent will be paid on time in the future.



It pays to know the tenant rights in your state. [Start with the U. S. Department of Housing and Urban Development's state portal.](#)



Landlord Rights and Responsibilities

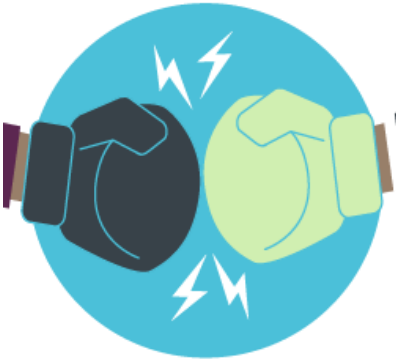
Just as your rights as a tenant vary by state, so do the rights and responsibilities of your landlord. Your lease should define exact rights of the landlord, which is why it's important to understand the lease before you sign.

Landlord Rights

- The right to collect rent. Simply by the fact that you are renting, your landlord has the right to collect rent and any prearranged late fees for overdue rent payments.
- The right to raise your rent according to your lease agreement.
- The right to evict. Your landlord has the right to evict you, especially if you do not pay your rent. State laws vary regarding eviction proceedings, but most will allow the landlord to collect back rent and any legal costs associated with an eviction.

Landlord Responsibilities

- The responsibility to keep the property safe. This covers basic safety like proper wiring to prevent electrical issues, flooring that does not cause one to trip, etc.
- The responsibility to not discriminate. This is covered by the [Fair Housing Act](#).



Handling a Landlord Dispute

Unfortunately, disputes can arise between a landlord and tenant over the rights and responsibilities of each party. Here are a few guidelines to help:

1. Avoid disputes. Refer to your lease agreement to see what has been agreed to in the first place. Also get to know your legal rights at the federal, state and local levels. [HUD offers state-by-state assistance for renters.](#)
2. Notify your landlord immediately if there is a problem. Don't let it fester.
3. Keep copies of all correspondence with your landlord regarding any issues that arise.
4. Mediate the problem. Mediation is a voluntary meeting between two parties with an impartial third party who can find areas of agreement and help resolve differences. Often inexpensive (compared to lawyers), the mediation agreements can sometimes help resolve issues without courts and lawyers.

If the differences still cannot be resolved, you may need to pursue legal action in small claims court. [Violations of the Fair Housing Act can be filed online.](#)

Fair Housing Act

The Fair Housing Act is a federal act that protects buyers and renters from discrimination. Under the Fair Housing Act, a landlord or seller cannot discriminate against a renter or buyer based upon race, color, nationality, religion, sex, disability or familial status (the number of children you have). Despite continuing efforts to strengthen the act, there are continuing reports of discrimination.

If you feel you are discriminated against, you can file a complaint with the Office of Fair Housing and Equal Opportunity (FHEO). [Learn more at HUD about the basics and what to do if you think your rights have been violated.](#)



Types of Lease Agreements

A lease is a legal agreement between you and a landlord. Leases obligate you and your landlord to specific commitments. Some landlords may require a co-signer to the lease if you are under a certain age or do not have much credit history.

The most important obligation of your lease is the length of time it is in effect. When you sign a lease, you agree to rent the apartment for a specified period of time and your landlord agrees to rent the property to you for that same amount of time.

Your lease obligation applies whether you live in the apartment or not. If you choose to leave your rental unit before your lease is up, your landlord legally is entitled to the rent you owe for the time remaining on your lease.

- **Short-term lease:** A short-term lease normally will state a fixed monthly rental rate for the entire duration of the lease. If you know you are planning to stay in the apartment or house only for a short time, it makes sense to get a short-term lease.
- **Month-to-month lease:** With a month-to-month lease, you agree to rent for a month at a time. Your rental price is subject to change at any time (as long as your landlord provides the appropriate notice to you as defined in your lease). If you are unsure about how long you will occupy the rental unit, a month-to-month lease may be the best option for you.
- **Subleasing:** If you sublease (sometimes called sublet) an apartment or house, you are renting a property under an original lease that someone else holds. You normally work out the arrangements with the original tenant rather than the landlord. If you are going to sublease, be sure to obtain written consent from the landlord allowing you to live in the apartment or house for the duration of your agreement with the original leaseholder.

No matter the type of lease, be very sure that you understand and can meet the terms of your rental agreement. If for some reason you want to end your lease early, carefully read your rental agreement to understand any penalties for breaking the lease. You may owe a part or all of your remaining rent for the year, owe a hefty fee or lose your security deposit.

Common Lease Terms

A lease is an agreement between you and the property owner. It is made in good faith, meaning that no one intends on harming the other party. But the lease also is a contractual agreement. Before you jump into any agreement, it's important to take a close look at it and understand what you are signing.

Remember to carefully review the terms of the lease so you know what you are on the hook for financially. You also will want to inventory the leased property before you move in by walking through the property with the landlord to note any deficiencies prior to moving in. And, always get the agreement or modifications to the agreement in writing.

Get to Know Lease Terms

If you are unsure of a term or clause in a lease, ask the landlord to define what it means. Don't be afraid to ask, and don't let your landlord gloss over it. Don't be embarrassed to take your time, call someone for help or do an Internet search for words and phrases that you don't understand. Among other items, look for these common clauses in your lease agreement.

Term or Clause Description	What's Important
List of tenants	This is the complete list of all adults occupying the rented unit. It's important to the landlord, in particular, who can collect the full rent from any individual listed. The landlord also can terminate the lease if one person listed violates a term of the lease.
Rent due	This should be the exact amount due, when, grace periods (if any), how and where payment should be made, and fees for late payments.
Time period (term)	This is the number of months being rented. This should be very specific and should outline what happens once this length of time passes. For example, does a one-year lease become a month-to-month rental after a certain point? Does the amount for the rental increase? The lease also should specify when the terms can be changed.
Deposits and fees	It should be specified whether deposits are refundable or not, and under what conditions. Your lease or rental agreement also should specify how the deposit will be refunded and the time frame in which it will take place.
Utilities	This section should identify all utilities you will need to pay, outside of the rent.
Right to enter the premises	This clause should specify exactly when and under what conditions the landlord can enter the premises being rented. State laws regulate this, so get to know what is permissible in your state.
Maintenance/repairs	Get a detailed list of major repairs (that the landlord will be responsible to fix) and minor repairs (that the renter will fix) and how/when to notify the landlord that something needs maintenance or repair. Remember that each party has certain responsibilities in this arrangement.
Occupancy rules	The lease probably will stipulate that only the adults on the agreement (and their children) may occupy the premises. Also look for information regarding pets, including types, numbers and additional fees for them.

Some agreements will list restrictions on disruptive or illegal behavior, information on subletting, what common areas are available for use, parking arrangements, etc. Lease and rental agreements can vary by state, so be sure you know what is applicable to your particular case.

And, ask what the landlord's insurance covers in terms of property damage from unexpected events such as fire or broken pipes.



Do an Internet search for sample leases to see what a typical lease might look like.

Walk Through Before You Sign

Before you actually sign a rental agreement, perform a walk-through. If the place you are renting is occupied, ask if you can sign the lease once the premises are vacant. You don't want to find out that furniture or rugs are hiding unsightly or unclean areas of the rental.

Do your walk-through with the manager first, getting sign off on any problems you find. Document damages with time- and date-stamped pictures with a cellphone. Most reputable landlords will have a checklist to fill out before move-in and at move-out.



Courtney's Story

When Courtney went looking for her first apartment in her hometown of Tucson, Ariz., one offer was too good to pass up. It was close to work and the first month was free. She signed a one-year lease and moved in. The carpet was a wreck — worn thin and coming up in places, but the move-in flier promised new carpet as needed, and the property manager agreed that hers qualified.

When Courtney asked about the carpet after moving in, she found out that the original manager had been let go, the fliers were gone, and there was nothing in the lease about new carpet.

Courtney soon discovered the problem was worse than she thought.

"I saw this giant roach crawl out from under the carpet where it was coming away from the walls," she says, "and when I lifted it up, there were dead roaches and roach skins everywhere."

After weeks of trying to get the carpet replaced and the apartment sprayed for bugs, Courtney decided that she had to move out. She broke her lease and found herself on the hook for almost \$1,500, including paying for that "first month free" that she was promised when she moved in.

Looking back, she says she never would have rented that apartment with the carpet as it was, but the manager had made her a verbal promise. Not getting that part of the agreement in writing turned out to be an expensive lesson in things to consider before signing a legal contract.



Security Deposits

Your security deposit likely will be the equivalent of one or two month's rent, paid up front. But getting that money back can be troublesome. Here are some ways to make sure you get your deposit back when you decide to move:

- Unless you are renting from a private owner, make your check out to a company rather than an individual.
- Do some research in your state to find out what's refundable and the rules regarding filing dispute claims if your landlord refuses to refund your security deposit. In some cases, the landlord may have to go to court to keep your money.
- Know what qualifies as vacating your residence and get proof when you turn in the keys.
- Refer back to pictures that you took when you moved in to show proof of pre-existing damages.
- Take pictures of the unit as you are leaving it to substantiate your claim.

If all else fails, you can have an attorney issue a demand letter or send one yourself using any one of several online services. Small claims court also is an inexpensive way to recoup your deposit money.



Maintenance and Repairs

As you would expect, your home will require maintenance and repairs. A great thing about renting is someone else is responsible for the upkeep of the building and the property. But not all services in your rental unit are free — it's important to know just who pays, for what, and when.

- Major issues are the kind that would prevent you from living safely in the rental unit. Most often these issues are the landlord's responsibility. Remember, the landlord is responsible for providing a safe and habitable place.
- Minor issues, such as a blown lightbulb or furnace filter, can be your responsibility. Defects, like worn carpet or a stained toilet, are minor because it doesn't make your rental uninhabitable.
- Maintenance issues, like lawn mowing, snow clearing or trash pickup, may not be free.

Before you sign a rental agreement, get in writing those expenses that are factored into the cost of your rent and those that are extra.

Renters Insurance

Renters insurance covers your personal property and protects you from liability claims. It may not be required by your landlord, but it is an important and relatively inexpensive way to protect your possessions, including furniture and electronics, from theft, fire, storms and other damage.

You may be able to get a basic policy for as little as \$12 a month. But to make sure you have enough protection, it is important to inventory your belongings.



Dig deeper with SAM's Insurance Course

Check Your Knowledge

Before you sign your next rental lease, rate your readiness:

Topic	Absolutely!	Not really	Oh, I didn't think about that ...
I know the required move-in costs and I'm ready for them.			
I've studied the lease and I know what I will need to pay if I have to get out of the lease early.			
I know what my security deposit is and what I have to do to get it back.			
I have crunched the numbers and I know what I need to pay monthly for rent, utilities and other living expenses.			
I know what my lease says about having pets and roommates.			
I know what fees I will be charged for maintenance items and trash pickup.			
My renters insurance is selected and it will protect my possessions from fire, theft or other damage in the rental unit.			

If you answer “not really” or “didn’t think about it” on one or more topics, you still have some homework to do. Review the areas of this course related to those topics to ensure you have a complete understanding before moving.



Set Your Renting Guidelines

To aid with your decision making, it's a good idea to create a checklist when comparing your housing choices.

Before you can create your checklist, however, it helps to have some general guidelines to use. Use these sentence starters to help you think about things you want to maintain from your current living situation, improve on or change:

- In my current housing situation, I like _____, and I want my new place to have that as well.

*Example: In my current housing situation, I like **that there are two bedrooms**, and I want my new place to have that as well.*

*Example: In my current housing situation, I like **that I am downtown**, and I want my new place to have that as well.*

- Something I would like to improve from my current living situation is to have _____ instead of _____.

*Example: Something I would like to improve from my current living situation is to have **the ability to take public transportation** instead of **needing to drive every day**.*

- One thing I would change from my current housing situation is _____.

*Example: One thing I would change from my current housing situation is **to have a yard so I can get a dog**.*

How to DECIDE

When making a decision to move, no matter if it's for a new job, a change in marital status, retirement or just for the sake of change, you will want to check out several options and choose the one(s) that fit your lifestyle, values and life circumstances. But first you need to create an inventory of just what criteria are important to you and the priority they take.



DECIDE Steps

- 1** **DEFINE** the problem.
- 2** **ESTABLISH** your criteria.
- 3** **CHOOSE** a few options that match your criteria.
- 4** **IDENTIFY** and compare the pros and cons of each option.
- 5** **DECIDE** the most logical option for your situation.
- 6** **EVALUATE** the results and make adjustments for next time.

1. Define your goal. What do you want to achieve by renting your next place? Do you want to save up to buy one day or are you looking to downsize?
2. Establish your housing criteria. Which features are wants and which are needs?
3. Choose two to three good options. It's elimination time. Remove any options without your must-have features to get your list down to two or three options.
4. Identify the pros and cons. Make a chart so you can quickly compare the features and prices of each of your top two or three choices.
5. Decide what's best. Choose the rental property that best matches your criteria.
6. Evaluate your decision. Did you stay within budget? Do you feel good about your choice? Set a plan for how long you will live in your new place and start saving for your next move.

MAKE YOUR HOUSING PLAN: I WANT TO OWN



Why Buy?

Many financial professionals consider homeownership to be the single best avenue for building wealth. There are tax benefits as well. Under current U.S. tax law, you can write off your mortgage interest expense and property taxes against your income on your primary residence if you are eligible to itemize deductions (consult your tax advisor for details).

Owning a home can foster a sense of pride and security, knowing that any improvements you make to the property will benefit you rather than your landlord. Homeowners tend to have more freedoms in a property that isn't controlled by the rules of others, and many people want to know that they are getting more in return for their money than just a place to lay their head at night.



Do You Itemize?

Only 1 in 3 taxpayers itemizes deductions on their annual tax return. If you don't itemize deductions, you could be losing out on important financial benefits. [Check out this map to see how your county ranks nationally in claiming tax deductions.](#)



The Costs of Getting a Mortgage

Lenders are in a business to lend you money, but they don't do it for free. When you decide to buy a home and get a new mortgage, you can expect to pay fees and other costs associated with getting the loan and closing the sale.

Typical fees and closing costs associated with mortgages include:

- **Lender Fees** – These are fees charged for processing the loan. There may be fees for application, loan origination, credit reports, etc. These fees often can be negotiated, so it pays to shop around.
- **Discount Points** are a type of fee that is paid at the time of the loan closing, usually 1 percent of the loan amount. Points are charged upfront to get a lower interest rate over the life of the loan.
- **Fees Charged by Other Parties** – These often include fees for searching the property's title (to make sure it's clear to be sold) and appraising the property (to make sure it's worth what you're paying). Others can include survey fees, attorney fees, closing fees, courier fees, home inspection fees and title filing fees.
- **Prepaid Items** – These amounts typically pay your interest and taxes; these funds typically are placed in an escrow account. Essentially, you are prepaying your interest to the lender since you are living in the home until your first payment comes due. Likewise, you are paying property taxes into an escrow account that will be paid to the state at the end of the year.

It's important to review all fees before accepting the loan (and before closing).

- Never sign a document that has blanks to be filled in later.
- Don't sign a document that has terminology you don't understand.
- Only you can make the determination as to whether a loan is good for you.



New mortgage process regulations went into effect in October 2015. If it's been a while since you bought a home, see how these regulations help you at the [Consumer Financial Protection Bureau](#) website.



How Mortgages Work

When you apply for a mortgage, you quickly become immersed in a new language. It can all sound very foreign at first, but we'll boil down some basics here about how mortgages work and language that is commonly used.

First, let's look at what you really are paying when you make a mortgage payment. These components commonly are referred to as PITI:

- **Principal** – This is the amount of the monthly payment that pays off your actual loan amount.
- **Interest** – This is what you are paying to borrow the money for your home. It is calculated based on the interest rate, how much principal is outstanding and the time period during which you are paying it back. At the beginning of the loan repayment period, most of your payment actually is going toward interest, with a small portion going against paying down the principal. Over time this will reverse and more of your payment will go toward reducing the loan balance.
- **Taxes** – Most homeowners will pay their annual property taxes in periodic increments to the lender (e.g., quarterly).
- **Insurance** – Lenders will require homeowners insurance, so some of your monthly payment will be allocated to your insurance. You sometimes will also have to pay a mortgage insurance premium.



What's Escrow?

Taxes and insurance are held in escrow on your behalf. This means the lender collects these amounts for you and pays them when the bills are due.



Sample Amortization Tables

[U.S.MortgageCalculator.org](https://www.usmortgagecalculator.org) offers an easy way to see how mortgage payments get applied to the components just described. You can use this calculator (also available as an Android app) to plug in numbers for your own mortgage.

Repayment Shock!

Plug your own numbers in the amortization calculator and scroll down to see how much you actually will pay over the life of your loan.

Did the number shock you? Yes No

When it comes to reducing how much you pay over the life of your loan, make simple reductions in your outstanding principal. Try it with the calculator to see how just adding \$20 a month can reduce the overall cost of your loan repayment.



Fixed-Rate and Adjustable-Rate Mortgages

To make good financial decisions, you need to understand the types of mortgage products on the market. Though there is quite a variety, most are either fixed-rate or adjustable-rate mortgages. Loan terms can also vary, so it's important to understand how it impacts what you pay and when. Think about what you can afford now, but also look toward the future.

Fixed-Rate Mortgages

These loans commonly are used because they give homeowners a fixed interest rate over the life (also known as the “term” or time period) of the loan. They often are packaged as 15-year or 30-year terms. Your monthly payments for principal and interest do not change, although payments for insurance and taxes can change.

Adjustable-Rate Mortgages (ARMs)

ARMs are popular because they initially offer a lower interest rate. Over time, the interest rate fluctuates based on an index with which it is associated (like the U.S. Treasury bill rate). Homeowners need to be particularly aware of how much the rate is allowed to fluctuate, over what period of time, and what caps may exist. Unfortunately, too many buyers do not contemplate what changes in jobs, health, the economy or personal financial situations could mean when they initially sign on with an ARM.

Interest-Only Mortgages

These types of mortgages allow you to make interest-only payments (no principal reduction) for a set time period at the beginning of the loan. These types of loans can be very risky, however, especially if the housing market falters. [Read more from the Federal Deposit Insurance Corporation \(FDIC\).](#)

Check Your Knowledge

Check your understanding of the language common to the mortgage lending industry.

Principal	The actual loan amount
Interest	What you are paying to borrow money for your home purchase
Taxes	An annual property tax amount paid to the county/city where a house is located and often paid to a lender to be held in escrow
Homeowners Insurance	Held in escrow, the amount paid monthly as part of a mortgage payment for homeowners insurance
Fixed-Rate Mortgage	Usually a 15- or 30-year term loan with a known interest rate
Adjustable-Rate Mortgage	A mortgage where the interest rate is tied to an index, like U.S. Treasury bills
Term	The period over which a loan is repaid



What to Look for in a Lender

Early in the process of looking for a home, you will want to find a lender you can trust. Getting preapproved for a loan will make your bid to buy a home much more attractive.

A trustworthy lender also can help you:

- Determine how much you are qualified to borrow (remember, this is probably above what you actually will want to borrow).
- Identify the right kind of mortgage for you, your lifestyle and your income projections.
- Determine if you need to improve your credit profile or if you have items in your credit report that hurt your overall score.

And, just like comparison shopping for a major appliance or car, you will want to compare lenders. Some have products and rates that can be more advantageous to your needs.



Ask for Credentials

Not all lenders are the same. Make sure your mortgage lender is licensed and registered at the state or federal level. Ask for credentials related to training and licensing.

Important Lender Forms

As of October 3, 2015, your lender is required to give you certain forms and disclosures within stated timelines that will make it easier for you to understand your loan, its terms and what it will cost you.

- **Loan Estimate (LE)** – You must be given the LE within three business days of your application. It will help you shop around to compare loan offers. [The Consumer Financial Protection Bureau \(CFPB\) has a sample LE available with terms defined.](#)
- **Closing Disclosure (CD)** – Once you’ve selected your lender and made plans for closing, the CD is a form that gives you the final costs associated with your loan. Use it to compare against the LE and understand reasons why these two documents might be different. It must be in your hands no later than three days before your closing date. [The Consumer Financial Protection Bureau \(CFPB\) has a sample CD available with terms defined.](#)

Special Lending Programs

Owning a home is called the American Dream, but not everyone qualifies for a conventional fixed-rate loan.

Many first-time homebuyers may not know they are eligible for government assistance programs backed by the Federal Housing Administration (FHA). Here is a sample of some loans for which you may qualify.

Loan Type	Pros and Cons	Who Qualifies
Federal Housing Administration (FHA) Mortgage	<ul style="list-style-type: none"> Pro: <u>Low down payments; as low as 3.5 percent of the purchase price</u> Pro: Flexible standards for credit qualification Con: A monthly private mortgage insurance premium is charged to protect the lender in case of default on the loan 	<ul style="list-style-type: none"> Mostly first-time home buyers Could be for refinancing if little equity has been built
Veterans Affairs (VA) Loans	<ul style="list-style-type: none"> Pro: No down payment Pro: No private mortgage insurance premium Pro: Easier than conventional loans to qualify with lower credit rating Con: There are limits on what can be borrowed 	<ul style="list-style-type: none"> Most active-duty military and veterans Reservists or National Guard with more than six years of service Spouses of service members who died in line of duty or as a result of service-connected disability
United States Department of Agriculture (USDA) Housing Assistance	<ul style="list-style-type: none"> Pro: Offers qualification to individuals who show a willingness and ability to repay Pro: Low interest rates Pro: No down payment Con: Limitations on income eligibility and location 	<ul style="list-style-type: none"> Varies, but most participants must qualify based on income levels and be in a designated rural area Also available for elderly, disabled or rural residents in multi-unit housing



Read more about the various loans at [USA.gov](https://www.usa.gov), [U.S. Department of Veterans Affairs](https://www.va.gov), and [U.S. Department of Agriculture](https://www.usda.gov). You also can find more information about other federal, state and local programs at [HUD.gov](https://www.hud.gov).



Lenders to Watch Out For

When it comes to making a big decision to buy a home, you need to be careful about your selection of a lender. Regulations have been implemented by the Consumer Financial Protection Bureau to help protect borrowers. The following tips also are helpful to keep in mind.

- **Get objective advice.** Mortgage lenders are in the business to make money, not to be your friend. Talk to several lenders before making a decision to go with one. Consult others who can help you such as friends, family or financial planners to make this decision.
- **If it sounds too good to be true, it probably is.** If a lender offers up a mortgage that is “just right for you,” it may turn out to be just right for the lender.
- **Read before you sign.** Understand the terms of the mortgage, when you have to make payments, fees and costs associated with taking the loan, etc.



The U. S. Department of Housing and Urban Development (HUD) lists these practices as indications that you may be dealing with a predatory lender, appraiser, mortgage broker or home improvement contractor:

- 1 Using false appraisals to sell properties at higher values.
- 2 Encouraging lying about income, expenses or cash resources to get a loan.
- 3 Knowingly lending more than a borrower can repay.
- 4 Charging higher interest rates in violation of the Fair Housing and/or Equal Credit Opportunity Acts.
- 5 Charging unnecessary fees or charging for services not in existence.
- 6 Pressuring a borrower into a risky loan (balloon or interest only loans, steep repayment penalties).
- 7 Targeting vulnerable borrowers into “cash out” or equity borrowing.
- 8 Using high pressure sales tactics to sell home improvements financed at high interest rates.

Check Your Knowledge

Can you identify warning signs of an unscrupulous lender? Read the statement of practice and check off the correct column.

Statement of Practice	Probably Trustworthy	Run Away!
Overstates your income on a loan application ¹		
Provides you with state credentials and certifications		
Has you leave a signature line blank		
Gives you a <i>Truth in Lending</i> pamphlet		
Asks for verification of your stated income		
Changes information you provided on the application		
Has you paying interest daily if your loan payment is late		
Puts you into a loan where the payment is due in full at the end of a short period of time		
Says there is a prepayment penalty if you pay off the loan within five years		
Presents more paperwork to be signed late in the process		

Answers: Probably Trustworthy: #2; #4; #5; Run Away!: #1; #3; #6-#10



Homeowners Insurance

Homeowners insurance covers your home's physical structure, other buildings on your property (e.g., a detached garage or shed), and personal items for damages caused by natural disasters and protects you against accidents and injuries caused to visitors on your property.

Mortgage lenders require that you carry insurance for the length of your mortgage.

As a guide, make sure you have enough coverage for the two main categories in a homeowners' policy: your home and your belongings. This should be in the form of replacement coverage; that is, what it costs to replace

your home and belongings using current pricing and comparable materials.

You also will want to buy coverage in case you need to live elsewhere while repairs are done, and liability coverage in case others get injured on your property.

Most standard policies offer from \$100,000 to \$300,000 in liability insurance. You may want to consider an umbrella liability policy of up to \$1 million or even \$5 million and extra life insurance to make sure there will be enough money to pay off the mortgage.

A property and casualty insurance agent can assist you with these decisions.

Dig deeper with SAM's Insurance Course



Homeowners Associations and CC&Rs

Many newer communities, no matter the type of home, are governed by homeowners associations (HOAs). The primary purpose of an HOA is to maintain property values using covenants, conditions and restrictions (CC&Rs).

HOA board members are from the community, and they volunteer their services to help administer the functions of the HOA. The HOA follows bylaws stating such things as when they meet, the duties of the members and what voting rights HOA members (homeowners)

have.

CC&Rs are the rules the HOA board enforces to help maintain property values. These rules can restrict things such as play equipment, fencing, garbage pickup, paint color choices, exterior home decorations, the use of outdoor clothes lines to hang laundry and roofing materials.

Because there can be hefty fines for the violating the CC&Rs, it's important to understand and read the CC&Rs before buying into a neighborhood.



Managing Your Mortgage

When you own your home, you have choices about how to manage this important asset. Some potential choices you might face as a mortgage holder include:

Refinancing Your Mortgage

Refinancing your mortgage makes sense when interest rates fall or if you need a more affordable monthly payment. But there are scammers out there who will take advantage of your need.

Watch for:

- Solicitations with “limited time” offers.
- Advertisements that falsely claim to be government-sponsored.
- Online sites that request your personal information or upfront fees.

Prepaying Your Mortgage

When you can afford to do it, making an extra payment to the principal on your mortgage can help. Even a small amount like \$25 extra each month can save you thousands of dollars in interest payments over the life of the loan. But keep in mind that prepaying may not benefit you if you have a low interest rate but are in a high income bracket since you lose the tax deductions on the interest you pay. In addition, consider the next best use for the money used to make principal prepayments. Perhaps it can be invested to earn a higher return than the interest rate on your mortgage,



[HUD.gov offers several programs and resources](#) for helping you find ways to refinance your home. Also make sure you know what your loan states with respect to prepayment penalties.

Taking Out Home Equity Credit Lines

Sometimes an upgrade or repair to your home may require that you take out a home equity line of credit (HELOC). This kind of borrowing is secured by the equity in your home, so it is wise to consider these cautions:

1. If there is a housing market slump, you could end up owing more on your mortgage and HELOC than your property is worth.
2. Do not take a HELOC to pay off credit card debt. If you find yourself in this situation, it would be wise to speak with a reputable credit counselor who can help you work out payment terms with your creditors rather than risk your home.
3. If you fail to make your HELOC payments, you risk losing your home.



Mortgage Foreclosure

If you are unable to make your mortgage payment, you need to speak to your lender or the company that services your loan right away. The lender does not want to foreclose on your home if it can be avoided, but you will need to show that you are doing everything you can to pay your bills.


- Check out assistance through local and state sponsored programs. But be aware that there are many scams out there.
- Contact your lender to work through alternative payment arrangements or loan workouts. Have your budget and documentation ready to show your lender.



Make Your Housing Plan [Own]



Essentially, homeownership is about responsibility. When you own a home, you are responsible for the upkeep, homeowners insurance, property taxes, utility payments — and most importantly — the mortgage. Your responsibilities can vary, however, based on the type of home you purchase.

Types of Homes

A home is a major purchase, no matter what its floor plan or style. With the challenges presented in the current home market, it's wise to look for homes in different sizes and types, including nontraditional homes.

	Home Type	Description	Advantages	Disadvantages
	Single-family home	This is probably what most people consider when they think of houses. It is a free-standing residence, usually occupied by one family.	<ul style="list-style-type: none"> • Resale values typically are higher than other housing types. • Outside spaces belong to you, providing room to grow a garden or enjoy outdoor hobbies. • The freedom to do as you please, unless there is a homeowners association. • Privacy. 	<ul style="list-style-type: none"> • Recreational amenities may be part of a planned homeowners association, but are not typically part of an individual homeowner's property. • All property taxes, insurance and costs related to maintenance and repair belong to the homeowner. • Some communities are part of a homeowners' association, so CC&Rs may apply.

	<p>Townhome</p>	<p>Townhomes are usually multi-level units, attached by walls to other units. Each has its own door to the outside.</p>	<ul style="list-style-type: none"> • Low maintenance on common property if an association takes care of it. • Property values can be kept higher because the association ensures upkeep and uniformity. • Prices tend to be lower than single-family homes. 	<ul style="list-style-type: none"> • Proximity to neighbors. • Shared walls. • CC&Rs enforced to protect, maintain and enhance property values) can be restrictive. • Violating association CC&Rs can be costly.
	<p>Condominium or Coop</p>	<p>Condos (and coops) are similar to apartments, except that each unit is individually owned rather than rented.</p>	<ul style="list-style-type: none"> • You own the space within the walls, which can lower insurance needs compared to a single-family home. • Low maintenance on communal property since it is done by an association manager. • Can be cheaper to own than a single-family home, but still provide a sense of ownership. 	<ul style="list-style-type: none"> • The CC&Rs can be restrictive. • Violating association CC&Rs can be costly. • Annual fees can increase based on majority vote. • Special fees or assessments can be levied. • Privacy.

			<ul style="list-style-type: none"> • Allows for ownership in areas where property values for single-family homes are particularly high. • Security may be enhanced, as well as amenities like pools, tennis courts, gyms, etc. 	
	Patio home or duplex	<p>This type of housing only comes in pairs. Depending on the region, they are also called patio homes or duplexes. Each unit is occupied by a single family.</p>	<ul style="list-style-type: none"> • From a buying perspective, usually lower-priced than a similar detached single-family home. • If part of an association, some maintenance (lawn, snow removal, painting, etc.) may be responsibility of association. 	<ul style="list-style-type: none"> • Privacy from neighbors. • Smaller yards. • If an association exists, CC&Rs can be restrictive.
	Manufactured home	<p>These single-family homes can be prefabricated and transported to the site for</p>	<ul style="list-style-type: none"> • The cost to construct the home is generally lower than a single-family home. • Energy efficiencies can be 	<ul style="list-style-type: none"> • Purchasing the site and making improvements to it for the home is an additional cost. • Can't be customized

		<p>the home or built on-site. Although they can be moved, most are situated on a permanent site.</p>	<p>achieved in newer manufactured homes.</p> <ul style="list-style-type: none"> • Some newer communities offer gated entry with associations that take care of maintaining common areas. 	<p>with respect to floor plans or blueprints.</p> <ul style="list-style-type: none"> • Quality of materials used in building may be less than other types of homes. • Long-term value generally does not increase as much as other types of homes.
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What Kind of Home Do You Want?

To begin thinking about a home choice, narrow your focus down to the type of home you want to purchase. Take this quiz to help you.

Choices for each are 1-5 scale: 1 = yes, 3 = maybe, 5 = no

1. Rank your choices for each type of home:

Detached single-family home
Townhome
Condo or co-op
Patio home or duplex
Manufactured home

2. Identify your preference for living in a community with a homeowners' association:

Absolutely! Depends on the CC&Rs No way, my home is my castle

3. Identify your need for privacy:

Very private Somewhat private Who needs it?

4. Rank your preference for performing routine maintenance and repair:

I do it all myself I can do some things I want someone else to be responsible

5. Identify your preference for recreational facilities:

I have no need for these I would like some recreational facilities I want many recreational facilities

How to DECIDE

When making a decision to move, no matter whether it's for a new job, a change in marital status, retirement or just for the sake of change, you will want to check out several options and choose the one(s) that fit your lifestyle, values and life circumstances. But first you need to create an inventory of just what criteria are important to you and the priority they take.



DECIDE Steps

- 1** **DEFINE** the problem.
- 2** **ESTABLISH** your criteria.
- 3** **CHOOSE** a few options that match your criteria.
- 4** **IDENTIFY** and compare the pros and cons of each option.
- 5** **DECIDE** the most logical option for your situation.
- 6** **EVALUATE** the results and make adjustments for next time.

1. Define your goal. What do you want to achieve by purchasing this home?
2. Establish your housing criteria. Which features are wants and which are needs?
3. Choose two to three good options. It's elimination time. Remove any options without your must-have features to get your list down to two or three options.
4. Identify the pros and cons. Make a chart so you can quickly compare the features and prices of each of your top two or three choices.
5. Decide what's best. Choose the home that best matches your criteria.
6. Evaluate your decision. Did you stay within budget? Do you feel good about your home? Set a plan for how long you will live in your new place and start saving for your next move.



Create Your Checklist

It doesn't matter why you're looking for a new place to live – your first place, retirement, expanding family, downsizing, a new job, divorce or just a fresh start – you'll want to look at a lot of different factors that make it your ideal place. You also will need to decide which ones take top priority in making your decision.

Set Some General Guidelines

To aid your decision making, create a checklist when comparing your housing choices. Before you can create your checklist, however, it helps to have some general guidelines to use. Use these sentence starters to help you think about things you want to maintain from your current living situation, improve on or change:

- In my current housing situation, I like _____, and I want my new place to have that as well.

*Example: In my current housing situation, I like **that there are two bedrooms**, and I want my new place to have that as well.*

*Example: In my current housing situation, I like **that I am downtown**, and I want my new place to have that as well.*

- Something I would like to improve from my current living situation is to have _____ instead of _____.

*Example: Something I would like to improve from my current living situation is to have **the ability to take public transportation** instead of **needing to drive every day**.*

- One thing I would change from my current housing situation is _____.

*Example: One thing I would change from my current housing situation is **to have a yard so I can get a dog**.*

RESOURCES



Housing Counselors

The Consumer Financial Protection Bureau offers a [list of housing counselors in your area](#) who can provide advice about the homebuying process, renting and other information related to housing. (There may be a fee for services.)

Cost-of-Living Calculators

- [CNN Cost of Living calculator](#) from CNN Money. This calculator lets you perform a U.S. city-to-city comparison to compare how far your salary will go.
- The [Living Wage Calculator](#) estimates the cost of living including some common expenses for a particular community.

Home Searches

- The U.S. Census regularly releases [Housing Vacancies and Homeownership information](#) on its website that includes press release summaries and information on rental vacancy rates.
- The U.S. Department of Housing and Urban Development (HUD) has a [Fair Market Rent and Income Limits Summary System](#) that provides information about rental prices and historical trends.

General Housing Information

The [U. S. Department of Housing and Urban Development \(HUD\)](#) offers a [guide](#) for helping you shop for a loan, understanding your rights and defining mortgage terminology, and gives you a worksheet for comparing loans.

New Mortgage Regulations

New mortgage process regulations went into effect in October 2015. If it's been a while since you were in the home-buying arena, see how these regulations help you at the [Consumer Financial Protection Bureau](#) website.

Special Lending Programs

Read more about the various loans at [USA.gov](#), [U.S. Department of Veterans Affairs](#), and [U.S. Department of Agriculture](#). You also can find more information about other federal, state and local programs at [HUD.gov](#).

Renter Rights

The [U.S. Department of Housing and Urban Development \(HUD\)](#) offers [state-by-state assistance for renters](#)

Sample Amortization Table

[U.S.MortgageCalculator.org](https://www.usmortgagecalculator.org) offers an easy way to see how mortgage payments get applied to the components just described. You can use their calculator (also available as an Android app) to plug in numbers for your own mortgage.

CONGRATULATIONS!



You have completed the Housing course. Check out SAM's other free courses to continue your personal finance journey:

SAM Money Basics

These topics form the foundation that underlies most financial decisions. Take all the Basics courses, or jump around to get a refresher based on the choices you face right now.

- Credit and Debt
- Employment
- Insurance
- Investing
- Employment
- Spending and Saving

Additional Courses

Explore these SAM courses to develop personalized plans in the following areas:

- My Emergency Fund Plan
- My Transportation Plan

Disclaimers

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