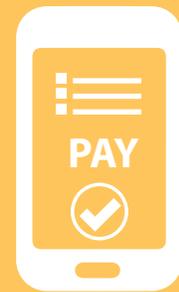
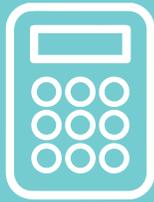


New home,



now what?



homewise®

The Homewise mission is to help create successful homeowners and strengthen neighborhoods so that individuals and families can improve their long-term financial wellbeing and quality of life.

Homewise would like to thank NeighborWorks America for their contributions to this manual and workshop from **Keeping the American Dream** and their ongoing support of Homewise and all those we serve.

Table of Contents

| | |
|--|----|
| Section 1: Maintaining Your Home | 4 |
| Section 2: Your New Financial World | 24 |
| Section 3: Helping Your Community Thrive | 61 |



Introduction

Congratulations – you did it! You achieved your dream of home ownership and we could not be more proud of you. Perhaps it was a goal that you worked toward for years, or maybe everything seemed to fall quickly into place. No matter what you encountered on your path to your front door, it doesn't end there. There are many aspects to being a successful homeowner and this workshop and workbook are intended to help you plan for the expected and unexpected, the excitement and the stresses, and help you continue to be a successful sustainable homeowner.

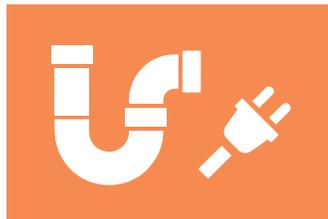
Many new opportunities have come to you through this giant purchase - perhaps a new community, new places and ways to celebrate, new financial opportunities for long-term well-being, and new opportunities to learn how to do repairs and maintenance.

Remember, you worked hard to get here, so let's learn together the aspects of strengthening our neighborhoods, improving your long-term financial wellbeing and quality of life, and thriving as a homeowner.



1

Maintaining Your Home



Your home is yours, and so is the upkeep that goes with it! While it is yours to decorate, landscape and enjoy as you wish, how you keep up your home will have a lasting impact on the long-term value of your home as well as an impact on your neighborhood. We encourage you to take pride in your home - you worked hard for it, so now it's time to make sure that you have the tools (literally!) and resources you need to ensure that your house continues to be a safe place for you and yours to call home.

Maintenance is often seen as one of the most common disadvantages to home ownership, however, it is one of the most important things we can do. In this chapter, we'll take the mystery and fear out of basic preventive maintenance and home repairs.

There are 3 kinds of maintenance needs you can expect to encounter as a homeowner:

Preventative maintenance

Taking care of small things before they become big, and costly, problems. It maintains and extends the life of your home, its systems and even your appliances before they need repair. Preventative maintenance includes things such as changing our air filters, cleaning out gutters, cutting back branches that can damage your stucco or siding, and even cleaning behind and below your refrigerator. Think of preventative maintenance as saving you \$80 an hour when you take care of these kind of tasks yourself, as they rarely require a professional. It will also minimize the long-term costs of repairs.

Repair or replacement

As things like appliances or systems wear out over time, they will need to have larger repairs or be replaced with new ones. Preventative maintenance has only carried you so long, so now it may be time to call in a professional. These repairs or replacements will cost more than the regular maintenance and might involve more than one system or aspect of the house. Fixing or replacing a toilet or hot water heater or repairing a leaky roof would fall into this category.

Home improvements

These can be required or optional depending on the situation. Home improvements can include anything from room additions or minor repairs to your home. A kitchen or bathroom remodel would also fall into this category. So would a big leak that has now impacted the ceiling, walls, insulation, floors and maybe even the foundation of your house.

Before tackling any maintenance, you'll want to make sure you have the right tools. Having the right tools will keep you safer and help you get the job done more efficiently.

Think of your toolkit as an investment. Buying quality tools now will save you money in the long run as cheap tools may bend or even break as you use them - making the job more difficult and less safe.

Preventative maintenance checklist

Review this checklist making note of what you can do yourself (X), what you have the tool for (T), anything you don't know how to do (?), or anything that requires a professional (!).

| | Spring | Fall | Annual | As Needed | Pro Needed? |
|--|--------|------|--------|-----------|-------------|
| Yard and Exterior | | | | | |
| Direct water drains away from house | ● | | | | |
| No hazards for tripping/falls, choking, or sharp-edges | ● | ● | | | |
| Verify that the pool fence is intact | ● | ● | | | |
| Check for signs of rodents, bats, roaches, or termites | ● | ● | | | |
| Drain outdoor faucets and hoses | ● | ● | | | |
| Clean window wells and check for drainage | ● | ● | | | |
| Clean gutters and downspouts | ● | ● | | | |

| | Spring | Fall | Annual | As Needed | Pro Needed? |
|---|--------|------|--------|-----------|-------------|
| Garage | | | | | |
| Ensure proper storage of fuel cans | ● | ● | | | |
| Ensure proper operation of garage door safety shut-off | ● | ● | | | |
| Check for signs of water damage | ● | | | | |
| Check for signs of rodents, bats, roaches, and termites | ● | ● | | | |

| | Spring | Fall | Annual | As Needed | Pro Needed? |
|---|--------|------|--------|-----------|-------------|
| Exterior Roof, Walls and Windows | | | | | |
| Ensure that the shingles are in good condition | ● | | | | |
| Inspect the chimney, valley, plumbing vent, and skylight flashing for damage or leaks | ● | | | | |
| Inspect the chimney and clean if needed | | ● | | | |
| Ensure that gutters discharge water away from building | ● | | | | |
| Inspect the attic vents | | ● | | | |
| Inspect attic for signs of roof leaks | ● | | | | |
| Inspect for icicles and ice dams | | | | ● | |
| Look for peeling paint | ● | | | | |
| Look for signs of leaks where deck attaches to house | ● | | | | |
| Check below windows and doors that the flashing is intact | ● | | | | |
| Remove and replace any cracked or broken glass | | ● | | | |
| Look for signs of leaks at window and door sills | ● | | | | |
| Clean the dryer vent | ● | ● | | | |
| Verify that the exhaust ducts are clear | ● | ● | | | |

| | Spring | Fall | Annual | As Needed | Pro Needed? |
|---|--------|------|--------|-----------|-------------|
| Interior Walls, Ceilings, Windows and Doors | | | | | |
| Inspect for signs of water damage | | | ● | | |
| Check operation of windows and doors | ● | | | | |
| Lubricate and repair windows and doors | | | ● | | |
| Inspect for peeling paint or damage to lead-based paint encapsulant | | ● | | | |

| | Spring | Fall | Annual | As Needed | Pro Needed? |
|---|--------|------|--------|-----------|-------------|
| Plumbing, Fixtures and Appliances | | | | | |
| Inspect the washing machine hoses and connections | | | ● | | |
| Inspect the dishwasher hoses for leaks | | | ● | | |
| Inspect the toilet supply/shut-off valve | | | ● | | |
| Clean and inspect the refrigerator drip pan and icemaker connections | | | ● | | |
| Inspect the shower/tub surrounds for signs of damage | | | ● | | |
| Inspect the traps and drains under sinks, tubs, and showers for leaks | | | ● | | |
| Inspect the water heater for rust or leaks | | ● | | | |
| Test the water heater's temperature and pressure relief (TPR) valve | | | ● | | |
| Drain the water heater | | | ● | | |
| Inspect the water heater's sacrificial anode rod (replace approximately every five years) | | | ● | | |
| Inspect the boiler for leaks | | ● | | | |
| Inspect the water main/meter or well pump for leaks or sweating | | ● | | | |
| Have the septic tank pumped | | | | ● | ● |
| Check all drain and supply lines for leaks | ● | ● | | | |
| Verify that the bath and kitchen fans are operational | ● | ● | | | |

| | Spring | Fall | Annual | As Needed | Pro Needed? |
|---|--------|------|--------|-----------|-------------|
| Electrical Equipment | | | | | |
| Repair or replace any damaged electrical cords | ● | ● | | | |
| Test ground fault interrupters (GFIs) | ● | ● | | | |
| Check the outlets for cracks, soot, and overheating (signs of a hazard) | ● | ● | | | |
| Replace batteries in the smoke and CO alarms; make sure they're operational | ● | ● | | | |

| HVAC Equipment - Replace or Clean Filters | | | | | |
|--|--------|------|--------|-----------|-------------|
| | Spring | Fall | Annual | As Needed | Pro Needed? |
| Warm-air furnace (MERV 11) | | ● | | | |
| Air conditioner (central air: MERV 11) | ● | | | | |
| Dehumidifier | ● | | | | |
| Portable air cleaner | ● | | | | |
| Outdoor air to return to heat recovery ventilation | | ● | | | |

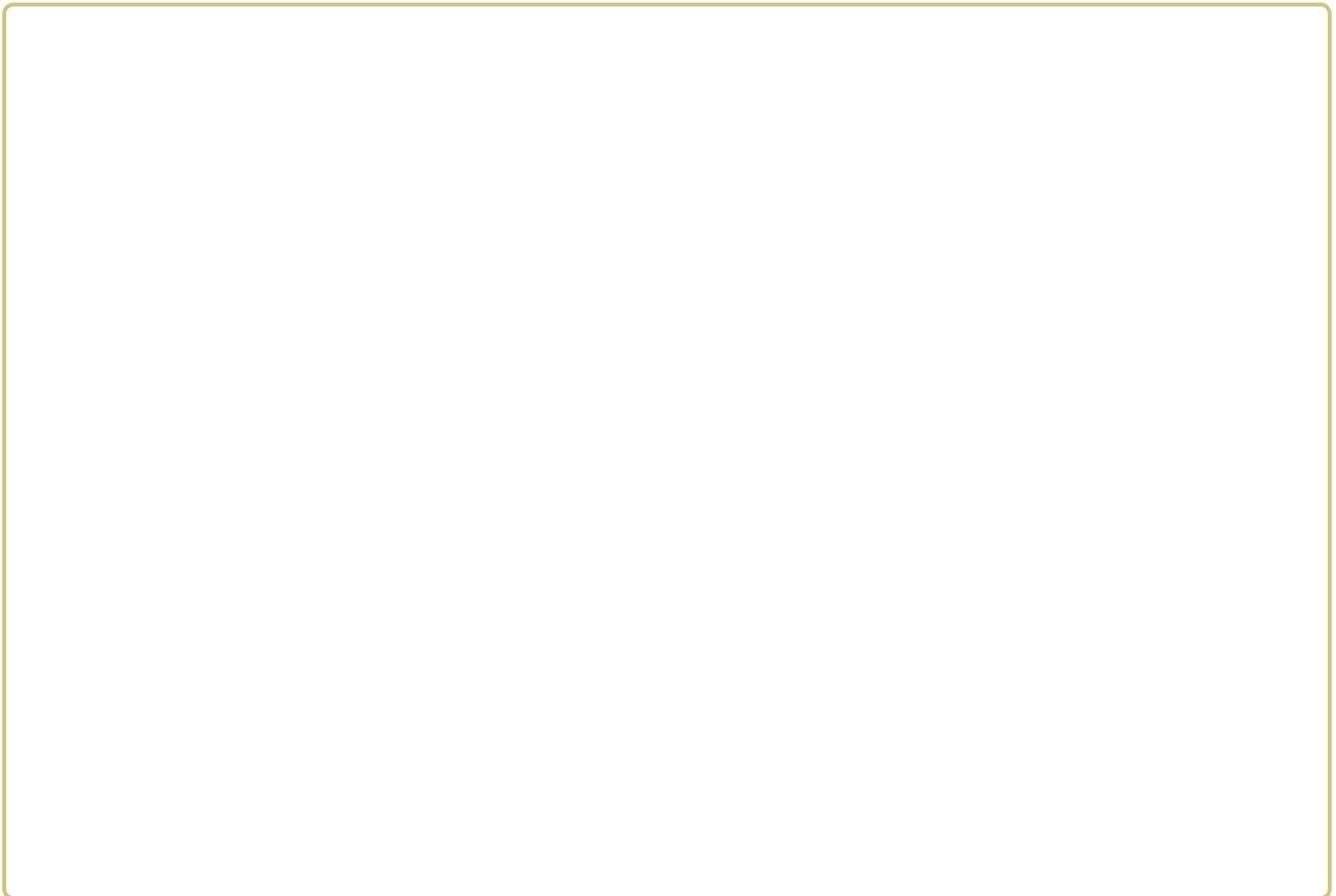
| Appliances | | | | | |
|--|--------|------|--------|-----------|-------------|
| | Spring | Fall | Annual | As Needed | Pro Needed? |
| Clean kitchen range hood screens | | | ● | ● | |
| Clean dryer vents and screens | ● | ● | | | |
| Clean exhaust fan outlets and screens | ● | | | | |
| Clean outdoor air intakes and screens | | ● | | | ● |
| Clean air conditioning coils and drain pans | ● | | | | |
| Check the refrigerator water line for leaks | | | ● | | |
| Clean the dehumidifier coils and check operation | ● | | | | |
| Clean and tune the furnace, boiler, and water heaters | | ● | | | ● |
| Clean and tune ovens and ranges; check for evidence of pests | | ● | | | ● |
| Change the vacuum cleaner filter | | | ● | ● | |

Safety and Security

Map your home

On this page draw a bird's eye view of your home, or floorplan. Mark where the following important things are located:

- Water shut off
- Gas shut off
- Electrical panel
- Smoke detectors
- Carbon Monoxide Detectors
- Fire extinguishers



Minimize your risk and increase home safety by completing the following tasks:



- Change out door locks after you move in
- Use locks on windows and doors
- Put some lights on timers throughout your home
- Install motion sensing lights outside
- Consider an alarm system
- Trim bushes and hedges by doors and windows



- Install smoke and carbon monoxide detectors
- Have a safety plan in place
 - Exits
 - Supplies
 - Meeting locations
- Have fire extinguishers in the home, and always the kitchen and garage.
- Avoid overloading electrical outlets
- Know the location of your electrical panel should you need to turn off the electricity



- Ensure you have sufficient liability coverage on your homeowners insurance
- Know how to use your tools safely
- Avoid using chairs or tables when a ladder is best



- 6' step ladder
- Adjustable wrench
- Pliers
- Duct tape
- Dust pan
- Electrical tape
- Flashlight
- Step stool
- Hacksaw
- Hammer
- Handsaw
- Level
- Locking pliers
- Needle-nose pliers
- Phillips head screwdriver
- Plunger
- Safety goggles
- Ear plugs
- Standard (flat-head) screwdriver
- Tape measure
- Toolbox
- Utility knife
- Work gloves
- Wrench

Insurance

Insurance protects us, our property and our things in case of loss of those things. We are most familiar with renters, auto, health or life insurance before beginning our journey as a homeowner. Now we add another important type to the list: homeowners insurance which protects our house and the things within it. It can also protect us financially should someone get injured on our property.

Homeowners insurance is required by lenders and we also encourage you to think of it as required. Your home is your biggest asset and you want to make sure it is protected in the event of damage from fire, storm, or other natural causes. You'll want to ensure your home is covered both for 'hazard' and 'liability'.

Like other insurance, homeowners insurance has a deductible, or an amount you must pay out of your pocket before the policy kicks in. The deductible is not a one-time thing, but applies with each claim you make. The larger the deductible, the lower the annual premium, or cost. With that said, it is important for you to choose the deductible amount you are sure you will be able to pay if needed. The amount of money in your house emergency fund should be at least as much as your homeowners insurance deductible.

Replacement Cost vs Actual Cash Value

There are two types of homeowners insurance policies; replacement cost and actual cash value. The replacement cost policy is usually the best one and while it may be a little more expensive, it can be well worth the investment should you ever need to rely on it. It applies both to the home itself and the covered things within it.

Replacement Cost Policy

Pays for current cost of similar materials needed for the repair

Actual Cash Value Policy

Takes depreciation into account, paying only for the remaining value of the item that needs repair

Let's look at an example:

Your roof was recently hit by a hail storm. It is a 5 year old roof and when it was installed, they said it would last about 10 years. You get a few quotes from difference licensed contractors and roofers and find it will be \$6,000 to repair.

Replacement Cost Policy

The insurance company will pay \$6,000 minus your deductible that you will pay, not taking the age of the roof into consideration.

Actual Cash Value Policy

The insurance company will take 50% depreciation, or loss of value, off of the roof as it is at half its expected lifespan. They will pay you \$3,000 (or half of the repair to match the half lifespan) minus your deductible that you will pay.

Always discuss your policy and options with your insurance provider before it is too late. Having a solid, trust-built relationship will help you save both time and money over the years.

Should you ever have a major disaster at your home, you will need to prove what you had when the event took place. Photos or a video are the best way to document the contents of your home (see 'helpful tip' below).

You can change your homeowners insurance policy and company at any time. However, you will need to let your loan servicer know that you have so they can adjust your escrow account and ensure they are paying the right company when the bill comes due. Keeping in good communication with your servicer will help avoid any lapse in coverage for you.

Other insurance you may need to consider:

Most standard homeowner insurance policies do not cover damage from some natural disasters, specifically floods, earthquakes or mudslides. If you live in a flood-zone, having flood insurance in place was a requirement before you could purchase your new home.



Make a narrated video of your home, going through each room, opening drawers and talking about what you find in each place. Then email it to yourself and a trusted family or friend or two. That way, should you ever need to make a claim, you will have the video to back it up. Remember to update the video as you update your home - whether you make repairs, upgrades to the home, appliances or electronics, you'll want to have the most recent things on record. If you can't make a video, don't worry! Photos will be just as helpful.

Is it time to shop around for Homeowner's Insurance?

Have the following information ready when shopping for homeowner's insurance.

You can get most of this information from your Homewise Homes Selection Specialist or Real Estate Broker.

Purchase Price: _____ Loan Amount: _____

Square Footage: _____ Year Built: _____

Type of Construction: _____

Type of Heating: _____

Air-Conditioner: _____

Type of Roof: _____ Age: _____

Other Dwellings: _____

Wood Stoves/Fireplaces: _____

Alarm/Security System: _____

Value of Personal Property: _____

(items such as jewelry, silverware, firearms, computers, etc.)

Distance to the nearest fire station and fire hydrant: _____

Get your first estimate from the company with which you insure your car. Then, using the same information and coverage limits, shop around for a couple of other estimates. Be sure to:

- get at least 3 quotes
- compare the same product between all companies
- compare costs of all quotes vs coverage
- evaluate if the deductible is affordable for you
- check if there are any discounts offered for which you may qualify
- ask if it is an actual cost or replacement policy

Insurance Company: _____ Contact: _____

Yearly Premium: _____ Phone: _____

Comments: _____

Insurance Company: _____ Contact: _____

Yearly Premium: _____ Phone: _____

Comments: _____

Insurance Company: _____ Contact: _____

Yearly Premium: _____ Phone: _____

Comments: _____

Enhancing Your Home's Efficiency



Much of the routine maintenance we do on our homes gives us the opportunity to decrease our monthly bills, and increase our energy efficiency at the same time. At Homewise we strive to be good stewards of our community and environment. That means that we do everything we can as an organization to reduce our environmental impact as an organization - we have solar panels on the roof of our Santa Fe office, we recycle as much as possible and we have water conserving features in the restrooms. Our award-winning Homewise Homes are quality built with energy efficient and water conserving features.

We hope that you, too, will incorporate some of these ideas and others into your own home and life, to save on your monthly bills and reduce your environmental impact as well.





One of the easiest and most cost effective things you can do is to weatherize your home. This means making your home more resistant to the outside temperatures, whether keeping the cold out in the winter or the heat out in the summer.

Doors



If you can see light between the exterior door and the frame, then you need to add some weather stripping to the door. The door should also fit well enough to be able to hold a piece of paper that you slide in at the edge. Weather-stripping comes in various thicknesses, so try to measure your gap before going to purchase it. You can typically install weather-stripping by removing the piece of paper on the back to reveal a sticky strip, and then carefully placing the product on the doorframe. There are also tension seals that can be used on the tops and sides of the door as well as sliding windows. Felt or tape work well in the doorjamb. Remember, you can ask the employees in the home improvement store which type they recommend. Once installed, you should no longer see light coming through.

Windows



Ideally we want double paned windows in our homes. If upgrading your windows is not an option for you at this time, there are some other things you can do in the meantime, while you make a long-term plan for new windows. Installing quality blinds or drapes is an easy visual upgrade that also saves energy. Home improvement stores sell window film that you can tape around the window and then seal and shrink with a hair-dryer to make it nearly invisible. Caulking around window frames will also help ensure the window itself is sealed properly.

Fireplace



If you have a fireplace, close the damper when not in use. This will keep heat from simply escaping up the chimney. Never close the damper while there is a fire or even coals in the fireplace.

There are three main energy users in every home: air conditioning/heating unit, refrigerator/freezer, and water heater. Let's evaluate how we can make them more efficient so that we can save money.

Air conditioning/heating unit:

- Install a programmable thermostat. This product allows for the automatic setting of the temperature while one is away during the day or sleeping at night. This can save up to 10-20% on your energy bill on average.
- Weatherizing as discussed above will help keep the temperature more steady in your home, leading to less usage of your heater or cooler.
- Ceiling fans can be a great summer alternative to air conditioning and they are not too difficult to install.
- Regularly replace the filters on your heating and cooling units. See your appliance manual for the manufacturer's recommendations. Having clean filters helps the system to run more efficiently.

Refrigerator/Freezer:

- Units with the freezer on the top are the most energy efficient.
- Don't keep your fridge or freezer too cold. The refrigerator should be kept between 37 and 40 degrees and freezers at 5 degrees. Keeping them colder doesn't keep your food fresher longer, it just wastes energy. To test the temperature in your fridge, get an appliance thermometer and place it in a glass of water on the middle shelf for 24 hours. To test the freezer, place just the thermometer among packs of frozen food for 24 hours.
- Clean the coils on the back annually
- Cover food and drink to avoid evaporation and spills. The evaporation forces the compressor to work harder.

Water Heater:

- Fix leaks. A water heater will continue heating water as it is used, so with a leak, it will be actively heating more often than it needs to.
- Install low-flow toilets, shower heads, and faucets. Using less water will mean less water needs to be heated which saves money.
- Install aerators, the screw-on tip to a faucet, as this also determines the flow rate of the faucet and leads to less water usage.
- Reducing your water temperature will save energy and increase the lifespan of the water heater. Setting it at no more than 120 degrees slows mineral build up and corrosion and your water heater and pipes. It also increases safety by lowering the probability of burns.

- Insulate the water tank. If your tank is warm when you touch it, it needs more insulation. This can reduce your heating losses by 25 - 45% and save you from 4 - 9% on energy costs with just one step.
- Insulate hot water pipes. Adding pipe insulation to all hot water pipes you can reach, especially within 3 feet of the water heater is a great idea.
- Install a timer if you have an electric water heater. This can save up to an additional 5 - 12% of energy that turns it off at night, for example, when you don't need the hot water.
- When you eventually replace your water heater, consider an 'instant' or 'on-demand' unit. As they only heat water as it is actively used, there are large long term energy and money savings, even though they are a little more expensive to purchase.

It's easy to make a few small changes to our behavior and small investments to have a large impact.

Things we can do:

- Turning off the water
- Turning off lights
- Lowering the heat
- Wearing a sweater in the house
- Make your own cleaning solutions
 - Vinegar
 - Baking soda
 - Hydrogen peroxide
 - **CAUTION!** Never mix vinegar and hydrogen peroxide together - they make a toxic gas!
- Use reusable shopping bags

Low-cost investments:

- Programmable thermostats
- Power strips to turn off all things plugged in
- Changing lightbulbs to LEDs or CFLs
- Doing routine systems maintenance



In New Mexico, we are lucky to live in a beautiful desert. With this natural beauty comes less water. Let's take a look at average water usage around the country.

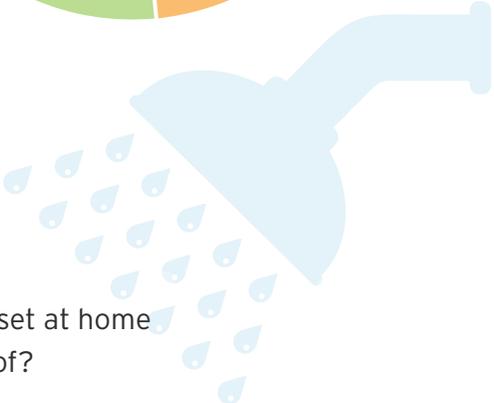
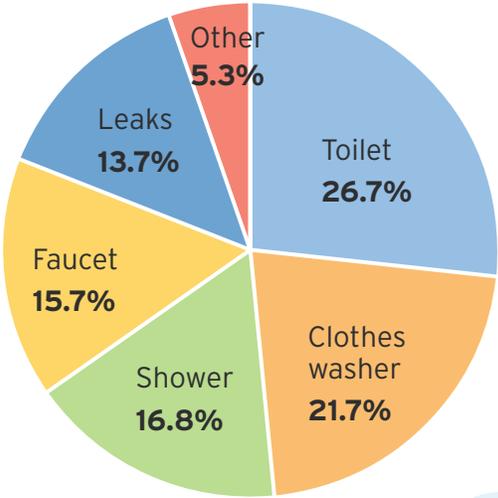
How much water do we use?



The average family:

- spends **\$1,100** per year in water costs
- can save **\$350** from retrofitting with WaterSense labeled fixtures and EnergyStar qualified appliances.

Source: American Water Works Association Research Foundation, "Residential End Uses of Water." 1999



There are many other ways to contribute to a greener mindset at home and in our communities. What are some that you can think of?



When shopping for appliances, always look for the Energy Star logo. It is part of a national program to identify and promote products that are energy efficient, save money and help protect the environment. Each label on an appliance will detail how much energy in kilowatts (kWh) the appliance will use each year. The lower the number, the more efficient the appliance will be and the less money it will cost you to run.

5. Key features of the appliance and the similar models that make up the cost comparison range.

4. Estimated yearly electricity consumption.



1. Maker, model number and size of the appliance.

2. Estimated yearly operating cost (based on the national average cost of electricity), and the range of operating costs for similar models.

3. The ENERGY STAR® logo indicates that this model meets strict criteria for energy efficiency.

Image from Being Green, Seeing Green - NeighborWorks America. Visit energy.gov for more information.

Hiring a Contractor

As we have discussed, some jobs require a licensed professional. These licensed contractors have training in the system they are working on as well as necessary safety precautions. Hiring someone who knows what they are doing will save you money, time and energy in the long run. Using someone who is unlicensed, uninsured and unprofessional can lead to more problems than they solve.

Before you decide whether or not you need to hire a professional, ask yourself the following questions:

- Do you have the ability to do the project?
- Do you have the time needed to successfully complete the project?
- Do you have the correct tools for the job?
- Have you thought about other issues this smaller project might lead to or cause?

Once you have answered these questions, you may realize that you can break the job up into smaller pieces, some that you can complete, some that you need a professional for.

Let's look at an example: BATHROOM REMODEL

| | |
|---|--|
| New light fixtures | take a class at your local home improvement store or hire a licensed electrician |
| New sink and toilet with new pipes and fixtures | hire a licensed plumber |
| Drywall patching | take a class at your local home improvement store and do it yourself |
| New paint color | do it yourself |

Before hiring a contractor, you need to have a very clear idea of the work you would like done. If you are not sure of everything that needs to be done, speak with the contractor you are considering. Make a list of the specific materials you would like used. If you are unsure, develop this list with the contractor you are considering.

1. Collect bids from at least three contractors that include a complete cost estimate of your project.
2. Ensure your contractor is licensed, bonded, and insured.
 - Licensed** - holding a license means that one is permitted to conduct business in the city or state where they are licensed. It also usually implies that they have received extensive training.
 - Bonded** - Should anything go wrong and you file a complaint against the company or contractor, the bond would look into your claim and potentially pay you out of the 'bond'.
 - Insured** - If the contractor or one of their employees gets hurt on the job, on your property, then the insurance claim would go to their insurance, not your homeowners insurance. It's another level of protection for you.
3. Ask the contractor for 3 references, former customers' names and phone numbers and then call them to ask the following questions:
 - Did the project end up costing more, less or the same as the original estimate (bid)?
 - Did they finish the job when planned?
 - Did they use quality materials?
 - Did they respond to anything that needed to be addressed after completing the project?
 - Were their employees or sub-contractors competent and professional?
 - Did they communicate well throughout the project and consult before making any changes or tackling any surprises?
 - Did the contractor secure all necessary permits?
 - Did they provide a written contract stating:
 - Specific scope of work (what is being done and what materials are being used in detail)
 - How much the job will cost
 - When the job will be completed

On smaller jobs, the contractor may wait until it is completed to bill for the entire amount. On larger projects, they may ask for an initial deposit. Do not pay the deposit without a written contract, and make sure you get a receipt. Before making the final payment check the work that has been completed and make sure that it is exactly how you wanted it. If there are details that need to be completed, or something that is not to your satisfaction, discuss this with the contractor and wait to pay them the remainder until the work is completed.

Watch out for:



- Hiring someone who does not give you their name, address, telephone number or license number
- Hiring someone who arrives with many 'extra' materials from a past job
- Signing anything without a clear contract
- Signing a blank contract
- Paying all of the money before the work is completed to your satisfaction

2

Your New Financial World



Goal Setting

You have achieved one of your biggest goals, homeownership! This is merely a dream for many people around the country and world, but you have done the work to make it a reality.

What are some of the other things that you would like to accomplish? Think big, think small:

Let's refresh ourselves on SMART Goals, an efficient way to set goals that can be reached. Anything is possible with a plan.

| SMART | | Example |
|----------------------------|---|---------------------------------|
| Specific: | The goal must be written with detail | \$5,200 for a kitchen upgrade |
| Measurable: | This is how you will know you have achieved your goal | When I have \$5,200 in the bank |
| Actionable/ achievable: | The goal should be attainable given your available resources | \$100/paycheck |
| Relevant: | Does the goal apply to your values and your life? (yes or no) | Yes! |
| Timeline: | When do you want to reach your goal? | 24 months |

A wish or dream goal: I want to upgrade my kitchen.

SMART Goal: I will save \$100 per paycheck to have \$5,200 two years from now to update my kitchen.



Remember, create your SMART goal in the following order: S, M, T, A, R – this will help you see if the goal is achievable with your resources in the time you desire. If the monthly amount is too large, adjust the timeline and then see how much the monthly amount is. Make as many adjustments as you need to make sure this is a goal that you can reach.

What goal would you like to achieve next? Break it down using the SMART method and write it below:

Try another one:

As a homeowner you have many new relationships with your community and service providers. It's important to know which ones you can count on and how to contact them.

Write in the company names, phone number and contact person for each of the following so you have all the information in one convenient place when you need it.

Extra credit!
Add in your loan or policy numbers

Mortgage Company/Loan Servicer

Homeowners Insurance

Property Taxes / County

Homeowners Association



At the closing table, many of us were so focused on getting our keys that we didn't pay as much attention to all of the documents and agreements that we signed as we maybe should have. Let's revisit some of the most important ones.

Your Closing Documents (that big stack of papers you signed before getting the keys to your new home):

- Deed or Title
- Mortgage or Deed of Trust
- Closing Disclosures
 - Do you have a 1st loan?
 - Do you have a 2nd loan?
 - Do you have any down payment assistance?
 - Under what conditions will it need to be repaid?



Understanding Mortgage Basics

One of the first questions home buyers ask themselves when buying a home is “Can I afford it?” Most people do not have enough cash to purchase a home outright, so they borrow money from a lending institution in the form of a mortgage loan. Another concern buyers have is whether they have enough cash for their down payment. With Homewise, the buyer generally contributes a minimum of 2 - 5% of the sales price toward the down payment, and the mortgage loan and any financial assistance cover the balance of the cost of the home. Other loan programs may have different down-payment requirements. Through mortgage financing, the buyer gives the lender a mortgage lien on the property. This lien secures the debt and gives the lender the right to foreclose if payments are not made on the loan as agreed.

Your monthly mortgage payment

_____ + _____ + _____ + _____ = **PITI**

Key Terms

- P** _____ The amount borrowed, or unpaid balance.
- I** _____ The fee charged for borrowing money.
- T** _____ In New Mexico, this is paid to the County.
- I** _____ Financial protection for you and/or the lender (Including the two types listed below).
- _____ A type of insurance policy that combines liability coverage and hazard insurance.
- _____ Insurance that protects lenders against loss if a borrower defaults.
- _____ The holding of money in an account by a lender into which a homeowner pays money for taxes and insurance; also, the holding of documents and money by a neutral third party prior to closing.

Where do Your Payments Go?

Look at an Amortization Schedule!

This chart is part of an amortization schedule for a \$180,000, 30-year, fixed-rate mortgage at 5% interest. The monthly payment is \$966.28. The chart shows how much of your monthly payment repays the principal and how much goes to pay the interest.

Annual Interest Rate: **5%**

Total Interest: **\$167,860**

Loan Amount: **\$180,000**

Number of Monthly Payments: **360**

Payment Amount (P&I): **\$966.28**

| Payment Number | Principal Portion | Interest Portion | Principal Balance |
|----------------|-------------------|------------------|-------------------|
| 1 | \$216.28 | \$750.00 | \$180,000.00 |
| 2 | \$217.18 | \$749.10 | \$179,783.72 |
| 3 | \$218.09 | \$748.19 | \$179,566.54 |
| 4 | \$218.99 | \$747.29 | \$179,348.45 |
| 5 | \$219.91 | \$746.37 | \$179,129.46 |
| 6 | \$220.82 | \$745.46 | \$178,909.55 |
| 7 | \$221.74 | \$744.54 | \$178,688.73 |
| 8 | \$222.67 | \$743.61 | \$178,466.99 |
| 9 | \$223.60 | \$742.68 | \$178,244.32 |
| 10 | \$224.53 | \$741.75 | \$178,020.72 |
| 11 | \$225.46 | \$740.82 | \$177,796.19 |
| 12 | \$226.40 | \$739.88 | \$177,570.73 |
| 349 | \$919.25 | \$47.03 | \$10,367.16 |
| 350 | \$923.08 | \$43.20 | \$9,444.08 |
| 351 | \$926.93 | \$39.35 | \$8,517.15 |
| 352 | \$930.79 | \$35.49 | \$7,586.36 |
| 353 | \$934.67 | \$31.61 | \$6,651.69 |
| 354 | \$938.56 | \$27.72 | \$5,713.13 |
| 355 | \$942.48 | \$23.80 | \$4,770.65 |
| 356 | \$946.40 | \$19.88 | \$3,824.25 |
| 357 | \$950.35 | \$15.93 | \$2,873.90 |
| 358 | \$954.31 | \$11.97 | \$1,919.59 |
| 359 | \$958.28 | \$8.00 | \$961.31 |
| 360 | \$961.31 | \$4.01 | \$0.00 |

Making Payments Work for You: Prepayments

Prepayment Chart

This table illustrates how both the total amount of interest paid and the length of time it takes to pay off a mortgage of \$180,000 at 5% interest can be significantly reduced by making extra payments toward the principal of that mortgage. This is referred to as 'prepayment'. For example:

To pay off a \$180,000 Mortgage

| Prepayment | Years to Payoff | Total Interest | Interest Savings |
|--|------------------------|----------------|------------------|
| None | 30 years | \$167,860 | \$0 |
| \$75 Per Month | 25 years + 7 months | \$139,025 | \$28,835 |
| One Extra Mortgage Payment Per Year | 25 years | \$138,431 | \$29,429 |



1) Always pay your mortgage by the first of the month. 2) Consider Automatic Payments so you'll never be late. 3) Prepayments—make additional payments on your mortgage so that your principal decreases more quickly. When making a prepayment use a separate check and write 'For Principal Only' in the check's note section. Always check with your lender for details on how to do this correctly!

Private Mortgage Insurance (PMI)

Saving Money On Private Mortgage Insurance

Private Mortgage Insurance (PMI) is required on most Conventional Loans with down payments of less than 20%. On a \$200,000 home, you would be required to pay PMI if your down payment was less than 20%, or \$40,000 ($\$200,000 \times 0.20 = \$40,000$). The relationship between the down payment and PMI payments on a \$200,000 home is as follows:

| Down Payment | PMI Payment |
|--------------|-------------|
| \$40,000 | -0- |
| \$30,000 | \$ 87.83 |
| \$20,000 | \$ 93.00 |
| \$10,000 | \$148.83 |

PMI may be canceled on Conventional Loans once your equity has reached 20% and you've met certain other conditions. Keep an eye on your amortization schedule, prepay as often as possible, and contact your lender to request PMI cancellation when you believe your equity has reached 20%. The lender will consider your equity and the current market value of the home when determining whether to cancel PMI. PMI or your Mortgage Insurance Premium works differently for government loans, such as FHA, VA, or RDS/RHS loans. Talk to your lender for further details.



If your current loan has PMI, Homewise can help you evaluate if a refinance would benefit you financially.

Keep in mind that pre-paying your mortgage can be a great long-term benefit. However, you want to make sure that you are not prepaying your mortgage and putting other things in jeopardy. Perhaps ask yourself the following questions before making large pre-payments:

1. Do I currently _____ all of my monthly obligations on time with no financial struggle?
2. Do I have a _____ savings of at least \$1,500?
3. If the worst happens, is our _____ coverage enough?
4. Do I have other debts with a _____ interest rate than my current mortgage I could pay sooner to save more money?
5. Are we fully participating in any workplace sponsored _____ plans to maximize our contributions?
6. Do we have a savings plan in place for future _____ to our home?
7. Do we have a _____ savings plan in place for longer term goals like education, retirement or large purchases?
8. Do we want to stay in this _____ for the foreseeable future?

- a. home
- b. pay
- c. retirement
- d. improvements/
repairs
- e. insurance
- f. separate
- g. emergency
- h. higher



If your homeowner's insurance premium goes down, for example, you'll receive a refund from your escrow account. It may be tempting to use that money, but send it right back and ask that it be deposited back into your escrow account. Having this additional cushion will help you avoid problems and potentially larger increases to your monthly payment in the future.

If Principal and Interest are going toward paying for the house and the loan, let's talk about property taxes and homeowner's insurance.

Property taxes:

Our property taxes usually go toward supporting our community, covering things like school districts, hospitals, libraries and other municipal needs. How much you pay is based upon the value of your home as assessed by the county. The appraisal done by the county is only used for this purpose. It is different than the market value appraisal you had when you purchased the home and may or may not be a similar amount. It is paid twice a year to the county where your home is located. However, if it is part of your escrow account, then your loan servicer will take care of paying the bill when it comes due.

You may qualify for exemptions that could lower your property tax bill. It varies by county, but some that you might qualify for are: Head of Household, Veterans Exemptions Status, exemptions for those older than 65, those who are disabled, or those with a limited income. Each year, usually in the spring, you will receive a Notice of Value from your county assessor. With this notice of value you will have the opportunity to file for these exemptions or contest the assessed value of your home.

Homeowner's Insurance:

Homeowner's insurance protects our homes and the things we have. Not only do you want to ensure that you have sufficient coverage, but your lender will require that you have this coverage for as long as you have the loan. We recommend you always have sufficient coverage to protect yourself, your home, and your family in the case of accidents, disasters, property loss, or liability.

We also recommend looking for a policy that fits your needs and covers both hazard and liability.

Over time, even if you have a fixed rate mortgage loan, your monthly payment *can and will* change. These changes and adjustments will be due to changes in your property taxes and homeowners insurance.

You can check how much things might change by comparing your current payment with your new annual property tax notice of value and your homeowner's insurance policy renewal.

Current: taxes \$ _____ + insurance \$ _____ / 12 months = \$ _____

New: taxes \$ _____ + insurance \$ _____ / 12 months = \$ _____ *

*amount that my monthly payment may change

Remember, you can always change your homeowner's insurance provider. If you find a lower price with the right level of coverage, then your monthly payment will decrease. However, you must always tell your loan servicer, the company you make your payments to, about any changes to your insurance. Otherwise, the changes or the payments might be missed.

Escrow Statement

Each year you will get an Escrow Account Statement from your loan servicer. This document shows you the differences between what was planned for, or anticipated, and what actually happened. It will also show you what adjustments need to be made to your monthly payment to ensure that you will continue to have sufficient funds to pay for your property taxes and homeowners insurance when they come do. While we can estimate changes that may be coming our way, like on the last page, this document will give us exact numbers.

Remember, if you have a fixed interest rate mortgage loan, your Principal and Interest amounts will not change. Any changes will be because of increases or decreases to your property taxes and/or homeowners insurance.

Look for and mark the following in the escrow account statement on pages 35 and 36:

- Current monthly payment
- New monthly payment
- Anticipated property tax payment
- Actual property tax payment
- Anticipated homeowners insurance payment
- Actual homeowners insurance payment
- Next year's monthly escrow deposit breakdown

Annual Escrow Account Disclosure Statement
Account History

This is a statement of actual activity in your escrow account from Feb. 2020 to Jan. 2021. Last year's anticipated activity (payments to and from your escrow account) is next to the actual activity.

| Payment information | Current: | Effective 2/1/2020: |
|-------------------------------|-------------------|---------------------|
| Principal & interest payment: | \$1,479.88 | \$1,479.88 |
| Escrow payment: | \$276.12 | \$321.12 |
| Other funds payment: | -0- | -0- |
| Assistance payment (-): | -0- | -0- |
| Reserve account payment: | -0- | -0- |
| Total payment: | <u>\$1,756.00</u> | <u>\$1,801.00</u> |

| Escrow balance calculation | |
|---------------------------------------|-----------------|
| Due date: | Jan. 1, 2021 |
| Escrow balance: | \$544.55 |
| Anticipated payments to escrow: | \$276.12 |
| Anticipated payments from escrow (-): | <u>-0-</u> |
| Anticipated escrow balance: | <u>\$820.67</u> |

| Date | Payments to Escrow | | Payments from Escrow | | Description | Escrow Balance | |
|----------|--------------------|-------------------|----------------------|-------------------|--------------------------|----------------|------------|
| | Anticipated | Actual | Anticipated | Actual | | Required | Actual |
| | | | | | Starting balance | \$1,061.78 | \$1,220.27 |
| Feb 2020 | \$265.43 | \$276.12 | | | * | \$1,327.21 | \$1,496.39 |
| Mar 2020 | \$265.43 | \$276.12 | | | * | \$1,592.64 | \$1,772.51 |
| Apr 2020 | \$265.43 | \$276.12 | \$1,002.10 | | * County property tax | \$855.97 | \$2,048.63 |
| May 2020 | \$265.43 | \$276.12 | | | * | \$1,121.40 | \$2,324.75 |
| May 2020 | | | | \$1002.10 | * County property tax | \$1,121.40 | \$1,322.65 |
| Jun 2020 | \$265.43 | \$276.12 | | | * | \$1,386.83 | \$1,598.77 |
| Jul 2020 | \$265.43 | \$276.12 | | | * | \$1,652.26 | \$1,874.89 |
| Aug 2020 | \$265.43 | \$276.12 | | | * | \$1,917.69 | \$2,151.01 |
| Sep 2020 | \$265.43 | \$276.12 | | | * | \$2,183.12 | \$2,427.13 |
| Oct 2020 | \$265.43 | \$276.12 | | | * | \$2,448.55 | \$2,703.25 |
| Nov 2020 | \$265.43 | \$276.12 | \$1,002.11 | | * County property tax | \$1,711.87 | \$2,979.37 |
| Nov 2020 | | | \$1,181.00 | \$1,372.00 | * Hazard insurance | \$530.87 | \$1,607.37 |
| Dec 2020 | \$265.43 | | | | * | \$796.30 | \$1,607.37 |
| Dec 2020 | | | | \$1,062.82 | * County property tax | \$796.30 | \$544.55 |
| Jan 2021 | \$265.43 | | | | * | \$1,061.73 | \$544.55 |
| | | | | | Anticipated transactions | \$1,061.73 | \$544.55 |
| Jan 2021 | | \$276.12 | | | | | \$820.67 |
| | <u>\$3,185.16</u> | <u>\$3,037.32</u> | <u>\$3,185.21</u> | <u>\$3,436.92</u> | | | |

An asterisk (*) indicates a difference from a previous estimate either in the date or the amount. If you want a further explanation, please call our toll-free number.

Last year, we anticipated that payments from your account would be made during this period equaling \$3,185.21. Under Federal law, your lowest monthly balance should not have exceeded \$530.87 or 1/6 of the anticipated payment from the account, unless your mortgage contract or State law specifies a lower amount. Your mortgage contract and State law are silent on this issue.

**Annual Escrow Account Disclosure Statement
Projections for Coming Year**

This is an estimate of activity in your escrow account during the coming year based on payments anticipated to be made to and from your account.

| Date | Anticipated Payments | | Description | Escrow Balance | |
|----------|----------------------|-------------------|---------------------|----------------|------------|
| | To escrow | From escrow | | Anticipated | Required |
| | | | Starting balance | \$820.67 | \$1,165.88 |
| Feb 2021 | \$291.47 | | | \$1,112.14 | \$1,457.35 |
| Mar 2021 | \$291.47 | | | \$1,403.61 | \$1,748.82 |
| Apr 2021 | \$291.47 | \$1,062.82 | County property tax | \$632.26 | \$977.47 |
| May 2021 | \$291.47 | | | \$923.73 | \$1,268.94 |
| Jun 2021 | \$291.47 | | | \$1,215.20 | \$1,560.41 |
| Jul 2021 | \$291.47 | | | \$1,506.67 | \$1,851.88 |
| Aug 2021 | \$291.47 | | | \$1,798.14 | \$2,143.35 |
| Sep 2021 | \$291.47 | | | \$2,089.61 | \$2,434.82 |
| Oct 2021 | \$291.47 | | | \$2,381.08 | \$2,726.29 |
| Nov 2021 | \$291.47 | \$1,062.82 | County property tax | \$1,609.73 | \$1,954.94 |
| Nov 2021 | | \$1,372.00 | Hazard insurance | \$237.73 | \$582.94 |
| Dec 2021 | \$291.47 | | | \$529.20 | \$874.41 |
| Jan 2022 | \$291.47 | | | \$820.67 | \$1,165.88 |
| | <u>\$3,497.64</u> | <u>\$3,497.64</u> | | | |

(Please keep this statement for comparison with the actual activity in your account at the end of the escrow accounting computation year.)

Your escrow balance contains a cushion of \$582.94. A cushion is an additional amount of funds held in your escrow balance to prevent the balance from becoming overdrawn when an increase in the disbursement amount occurs. Under Federal law, your lowest monthly balance should not exceed \$582.94 or 1/6 of the anticipated payment from the account, unless your mortgage contract or State law specifies a lower amount. Your mortgage contract and State law are silent on this issue.

Your ending balance from the last month of the account history (escrow balance anticipated) is \$820.67. Your starting balance (escrow balance required) according to this analysis should be \$1,165.88. This means you have a shortage of \$345.21. This shortage may be collected from you over a period of 12 months or more unless the shortage is less than 1 month's deposit, in which case we have the additional option of requesting payment within 30 days. We have decided to collect it over 12 months.

We anticipate the total of your coming year bills to be \$3,497.64. We divide that amount by the number of payments expected during the coming year to obtain your escrow payment.

New Escrow Payment Calculation

| | |
|-----------------------------|---------------|
| Unadjusted escrow payment: | \$291.47 |
| Surplus amount: | -0- |
| Shortage amount : | \$28.77 |
| Rounding adjustment amount: | <u>\$0.88</u> |
| Escrow payment: | \$321.12 |

Paying the shortage: If your shortage is paid in full, your new monthly payment will be \$1,772.00 (calculated by subtracting the Shortage Amount to the left and rounding, if applicable). Paying the shortage does not guarantee that your payment will remain the same, as your tax or insurance bills may have changed.

Homeowner's Association (HOA) or Condominium Association (COA)

Your home may also have other monthly or quarterly payments you need to make for a Homeowner's Association (HOA) or Condominium Association (COA) dues. While these were included when your purchasing power was assessed, they are generally not included as part of your regular monthly payment, nor part of the escrow.

These contributions can be mandatory or optional. All of the details are in the HOA or COA documents that you received before purchasing your home. The purpose of these associations is to manage common areas of a neighborhood or condominium. Perhaps yours covers road maintenance, water, landscaping, roofs, a pool, laundry machines or a variety of other things. There are also usually rules and regulations, called covenants, in place that must be followed by each homeowner in the neighborhood - perhaps certain paint colors, landscaping allowed, rules about snow removal and more. These rules can help maintain property values in the area and are put in place for the benefit of all.

Consider joining your association's meetings as a member, not just a homeowner. These boards, or groups are the ones who re-evaluate or make changes to the covenants, address neighbor or neighborhood issues and lay the groundwork for the functioning of the area. Joining your association as a member is a great way to get more involved in your immediate community and to get to know your neighbors, all while having a powerful say over what affects you and your home directly.

Your HOA or COA may collect a 'special assessment.' This is also known as a community assessment and would be collected to pay for specific large-scale projects that benefit the whole community. Perhaps all of the condominiums need to be re-stuccoed. Each homeowner would contribute to this large cost via the special assessment. Remember, these are different from your regular HOA/COA dues, so it is something else to save for. In general, special assessments are announced to the community 6-12 months in advance which gives you time to save and plan for this expense. Special assessments may also be part of your homeowner's insurance policy, but check with your insurance agent.

Tax Benefits of Homeownership

There is a federal income tax deduction for homeowners. Until now, you may have used the 2 page IRS 1040 form when filing your taxes. Now, as a homeowner, it may be worth your time to file the IRS 1040 Long Form where you can itemize your deductions. Generally, you can deduct from your annual income (thus lowering your taxable income), your:

- Mortgage Interest paid that calendar year
- Property Taxes paid that calendar year

The IRS provides forms to guide you through filing your taxes. You can also consult with a Certified Public Accountant (CPA) or other tax preparation professional to help you.

Your loan servicer will mail you an IRS Form 1098 each year. This form will show how much you paid in interest and property taxes, giving you the numbers you need for the tax forms. With tax laws changing at the federal level, your income changing, or other deductions you have, always consult with a tax professional to get the most up-to-date information and guidance.

One last benefit that may not benefit you now, but can in the future is Capital Gains. Ideally, the value of your home will increase as you own it. If and when you sell your home in the future, the increase in property value will not be counted as your income, and therefore not taxed. There are a few more details to meet this, such as living in the home for at least 2 of the past 5 years and how much your property has increased in value, so once again, check with your tax professional.

Tip for success:

Check for low- or no-cost tax preparers in your area to save money and time.

The IRS sponsors Volunteer Income Tax Assistance (VITA) sites with trained volunteers to provide basic income tax preparation. They also partner with AARP in some areas.

Check out www.IRS.gov or keep an eye out for posters or organizations providing this free or low cost assistance usually beginning in late January and going through the mid-April tax deadline.

You'll need to bring some important documents with you, some of which may include:

- Proof of identification (photo ID)
- Social Security cards for you, your spouse and dependents
 - An Individual Taxpayer Identification Number (ITIN) assignment letter may be substituted for you, your spouse and your dependents if you do not have a Social Security number
- Proof of foreign status, if applying for an ITIN
- Birth dates for you, your spouse and dependents on the tax return
- Wage and earning statements (Form W-2, W-2G, 1099-R, 1099-Misc) from all employers
- Interest and dividend statements from banks (Forms 1099)
- Mortgage Interest Statement (Form 1098)
- Health Insurance Exemption Certificate, if received
- A copy of last year's federal and state returns, if available
- Proof of bank account routing and account numbers for direct deposit such as a blank check
- To file taxes electronically on a married-filing-joint tax return, both spouses must be present to sign the required forms
- Total paid for daycare provider and the daycare provider's tax identifying number such as their Social Security number or business Employer Identification Number
- Forms 1095-A, B and C, Health Coverage Statements
- Copies of income transcripts from IRS and state, if applicable

Protecting your Equity

If you were to sell your home today, how much of the sales price would go into your pocket? The answer to this question is your equity, or financial interest, in your home. Equity is built through the portion of your monthly mortgage payment that goes toward your principal balance and the appreciation, or increase, in your home's market value.

Here is an example of equity:

| | |
|-------------------------|-----------------|
| Current value of house | \$180,000 |
| - Mortgage loan balance | - 145,000 |
| = Equity | \$35,000 |

Your equity is an asset. As your equity grows, you are building your financial future. If your housing needs change, you can sell your house and use the equity to buy a different house. It is also possible to use your equity without selling.

Let's look at appreciation* and the powerful impact of owning a home in a different light:

| | |
|-----------|---|
| \$250,000 | Purchase price |
| 5.75% | Estimated interest rate on first mortgage |
| 1% | Estimated annual home appreciation |
| \$5,000 | Buyer's cash contribution |
| \$1,814 | Starting PITI |
| \$1,400 | Estimated rent today |
| 1% | Estimated rental inflation |

| End of year: | Estimated home equity | Estimated monthly PITI | Estimated rent | Cumulative rent payments | Total interest paid as owner |
|--------------|-----------------------|------------------------|----------------|--------------------------|------------------------------|
| 5 | \$26,918 | \$1,832 | \$1,457 | \$85,697 | \$71,632 |
| 10 | \$62,827 | \$1,850 | \$1,531 | \$175,765 | \$137,423 |
| 20 | \$163,350 | \$1,889 | \$1,691 | \$369,919 | \$242,387 |
| 30 | \$326,962 | \$1,933 | \$1,868 | \$584,386 | \$287,284 |

If you had not purchased your home and kept renting, after 30 years you might have paid over half a million dollars in rent, enough for two homes in our example.

***Note:** figures are based on estimates only for appreciation in home values and rental inflation. No one can predict the future or guarantee appreciation.



Considering a home improvement project?

Homewise can help!

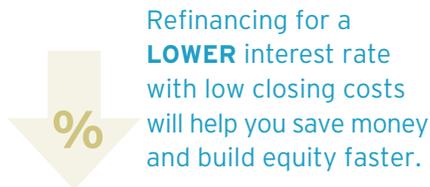
Avoid using up your equity by applying for an affordable, fixed-rate home improvement loan. Investing in your home with energy efficient upgrades and water conserving features is always a good idea. We offer financing for:

- solar electricity systems
- roof repair or replacement
- stucco
- windows and doors
- heating or cooling systems
- water catchment and irrigation systems
- and more

Give us a call at 505.983.9473 and get started on your home improvement project today.

Refinancing - is it right for you?

When you refinance, you get a new mortgage loan to pay off your existing mortgage. If the terms of mortgage loans available now are better than the terms of the mortgage you have, refinancing can save you a significant amount of money in the long run. If you're thinking about refinancing, consider the following:



Refinancing for a **LOWER** interest rate with low closing costs will help you save money and build equity faster.

If the refinanced interest rate is at least 1-2% lower than the interest rate on your current mortgage and has low closing costs, there are many benefits to refinancing:

- your monthly mortgage payment will be lower
- you'll save money on interest
- you can build equity more quickly if you choose a new loan with a shorter term (which will give you larger monthly payments, but will lower overall interest costs).



Refinancing for a **HIGHER** interest rate or to take **cash out** depletes the equity you have in your home.

If you take cash out for debts such as credit cards or to pay off a car and the interest rate on your new loan is higher than your current mortgage, or may go higher because it is adjustable, you are using the equity you've built to cover consumer debt that could be paid in other ways. Consider other options for paying off these kinds of debts that do not put your home at risk. Come to our free Financial Fitness for Life class to learn more about your other options.



As we see in the example above, refinancing for a lower interest rate than the one you have now can save you money, but there may be some other costs to consider.

- To get an idea of what a lower interest rate might do for you, visit www.bankrate.com and search for their mortgage refinance calculator.
- Put in the amount of your loan
- Enter the term (usually 30 years)
- Enter your current interest rate
- Note the current monthly payment (usually only principle and interest)
- Enter the possible new interest rate
- Note the estimated new monthly payment (usually only principle and interest)
- Calculate the difference between the two monthly payments to find the possible monthly savings.

| | Current Mortgage | Possible Refinanced Mortgage |
|-----------------------|-------------------------------|------------------------------|
| Current loan amount | \$185,000 | \$185,000 |
| Term | 27 years left on 30 year term | 30 years |
| Interest Rate | 6.5% | 5.5% |
| Monthly Payment (P&I) | \$1,137 | \$1,050 |
| Monthly Difference | | \$87 in savings |

Even just \$87 each month can make a difference in our budgets and could be used for a number of things such as building your emergency fund, planning for repairs, saving for a car, or reducing your debt.

We have not taken into account any of the fees that might be associated with refinancing your loan, so check with your lender to see what they charge. Here are some other questions to ask:

- What kind and amount of fees will be charged on the new loan?
- If you have a second or third loan, including any down payment assistance you received, how will it be impacted?
- Are there pre-payment penalties?
- Is your credit where it needs to be to be preapproved for a loan?
- Is it worth it for you?

Other things to consider when refinancing:

Most people start out with a 30 year loan term, you can often refinance to a shorter term of 15 or 20 years. Keep in mind that depending on your current balance, your payment may actually increase when getting a shorter term, but you may save money overall in interest. Your lender will be able to help guide you through these numbers and some of these decisions as well.



Thinking about refinancing? Homewise can help!

We are here for you as a resource to guide you through the refinance process, and can also provide affordable, fixed-rate financing to qualified borrowers.

New Home, New Budget

Now that you are in your new home, you have probably noticed a few changes in your budget. Perhaps you had a few expenses upon moving and settling in like new furniture, a lawn mower, paint and more. Now you have also experienced how your monthly expenses and bills have changed as well – gas for your car, utilities, internet, and more.

You most likely saved money for your down payment before you purchased your home, and now, you need to do that again to ensure that you have an emergency fund, a maintenance fund, a next project fund, perhaps a vacation fund – the possibilities are endless as to what you can now achieve. Having some savings in place will help to ensure that you have a cushion in place when the unexpected happens – car repairs, medical emergencies and more will happen, so let's talk about being prepared when they do.

The Homeowner's Budget:

The homeowner's budget may be much more comprehensive than the budget you had in place before becoming a homeowner. The version included here might look a little extreme to you, but keep in mind, you can alter any or all of the categories to fit your needs.

A good general rule for savings as a homeowner is to save 1% of your home's value for maintenance.

For example: \$250,000 house x 1% = \$2,500 a year or \$208.33 each month for a maintenance fund.



Looking for more tips and information on budgeting, goals and more? Come to our free Financial Fitness for Life class. Register by calling 505.983.9473 or online at www.homewise.org/classes.

| FAMILY BUDGET | Budgeted Amount | Actual Amount | Proposed Change |
|--|-----------------|---------------|-----------------|
| NET MONTHLY INCOME | | | |
| Head of Household #1 | | | |
| Head of household #2 | | | |
| Other Income | | | |
| Child Support | | | |
| Total Income | | | |
| MONTHLY EXPENSES | | | |
| Housing: Mortgage | | | |
| Other: Maintenance Savings | | | |
| Other: Emergency Savings | | | |
| Other: Fun Savings | | | |
| Other: Goal Savings | | | |
| Groceries: Food, Household Products | | | |
| Water | | | |
| Gas | | | |
| Electric | | | |
| Sewage/Garbage | | | |
| Telephone | | | |
| Cable TV/Internet | | | |
| Day Care/Baby Sitter | | | |
| School Loan/Tuition | | | |
| School/Work Lunches | | | |
| Child Support | | | |
| Car Payment(s) | | | |
| Car Insurance | | | |
| Car Maintenance | | | |
| Car - Gas | | | |
| Health and/or Life Insurance | | | |
| Medical: Physicians, Dentist, Eye, etc. | | | |
| Clothing, Laundry, Dry Cleaning | | | |
| Entertainment: Movies, Concerts, Restaurants | | | |
| Haircuts | | | |
| Family Advancement: Piano, Gymnastics, etc. | | | |
| Credit Card | | | |
| Cash/ATM | | | |
| Gifts: Birthdays, Anniversaries, Holidays | | | |
| Furniture | | | |
| Vacations | | | |
| TOTAL EXPENSES | | | |

Looking to lower your monthly expenses?

Here are some things that every household can do to lower costs and conserve resources like water and energy. Perhaps you make a family challenge, comparing one month to another after creating and following your new household budget.

- Turn off the water while brushing your teeth or washing your hands
- Don't let the water run while washing dishes
- Use the cold water setting on your washing machine
- Turn off lights when you leave a room
- Unplug anything that is not in use such as phone chargers, coffee pots and gaming consoles
- Wear a sweater or sweatshirt inside instead of turning up the heat a few degrees
- Turn down your thermostat at night
- Keep your home a little warmer in the summer
- Keep windows and doors closed while the heater or AC are running
- Decide what you are taking from the refrigerator before opening the door



How much can you save?

helpful tip

The old adage, “things don’t last as long as they used to” can apply to our appliances. At some point, appliances such as your hot water heater, furnace, dishwasher, oven and others will need to be replaced. Check out page 46 to get an idea of how long appliances usually last so you can budget to save for them.

You should also save your inspection that you had before you purchased your home. Sometimes the inspector will note the age of the appliance which will also help you plan ahead for future repairs or replacements.

Planning for Future Home Repairs

As we discussed in our chapter on finances as a homeowner, repairs will cost money. There are a few ways to plan for these repairs, either by saving up for them, financing them on a credit card or getting a home improvement loan from a lender like Homewise.

Not sure which way to pay for your repairs? It can be an individual preference, or influenced by our current situation. If you have the savings in place, or the repair can wait until you do, you will save money by not paying interest. If you need to finance the repair, either because it is large and has a substantial cost, or because you need it now but don't have all of the savings needed, then you have 2 options: a credit card or a home improvement loan. Most store credit cards have an average interest rate of at least 25% whereas a home improvement loan may be closer to about 6% with many lenders, saving you money in the long run. No matter which way you decide to finance your repair, remember that taking care of smaller things now through preventative maintenance will help you avoid more costly repairs in the future in many cases.

Outside of emergencies, most items in our homes have an estimated life-expectancy. Using your items, especially your appliances, well by keeping them clean and doing a little maintenance here and there will save you money over time. However, there will come a time, if you are in your home for many years, when you'll need to replace them.

According to the International Association of Certified Home Inspectors here is how long, on average, your appliances might last. Remember that there are many factors to take into consideration here, like usage before and after you purchased the home, but it is good to have an idea.

| | | | |
|--------------------------|---------------|---------------------------|---------------|
| Air Conditioner (window) | 5 – 7 years | Hand Dryer | 10 – 12 years |
| Compactor (trash) | 6 years | Humidifier (portable) | 8 years |
| Dehumidifier | 8 years | Microwave Oven | 9 years |
| Dishwasher | 9 years | Range/Oven Hood | 14 years |
| Disposal (food waste) | 12 years | Electric Range | 13 – 15 years |
| Dryer Vent (plastic) | 5 years | Gas Range | 15 – 17 years |
| Dryer Vent (steel) | 20 years | Refrigerator | 9 – 13 years |
| Dryer (clothes) | 13 years | Swamp Cooler | 5 – 15 years |
| Exhaust Fans | 10 years | Washing Machine | 5 – 15 years |
| Freezer | 10 – 20 years | Whole-House Vacuum System | 20 years |
| Gas Oven | 10 – 18 years | | |

Using these estimates, we can develop a savings plan to be prepared for what is coming our way.

Washing Machine

| | |
|-----------|--|
| 10 years | Life Expectancy |
| 7 years | Age of current washer |
| 3 years | Approximate years left |
| 36 months | Years left x 12 months = number of months you have to save |
| \$500 | Estimated cost for a new one |
| \$13.88 | Cost divided by number of months left = monthly amount to save |
| Now | When you will begin saving |



Planning now for all big ticket items and repairs, such as a roof, water heater, furnace, etc. will ensure that you have a plan in place when emergencies happen. Do your research on replacements, speak with a contractor and be confident you will have made a good 10 - 15 year investment in your home when the time comes.

Credit - It still matters

You worked on your credit before purchasing your home and it was one of the pieces of your financial picture that led to where you are today - a home of your own. It continues to be important.

Credit shows your ability to borrow money and pay it back as promised. To some, it can also be an indicator of other aspects of your life and show how you handle your money and that of others.

As you may recall, it is easy to access your own credit report and we recommend that you do so at least once a year to ensure that everything is reporting accurately, that you continue to be in good standing and to watch for any signs of fraud. While there are many places to get this information including with your credit card company or apps such as Credit Karma, we recommend www.annualcreditreport.com.

It was created in partnership with the U.S. government and the credit bureaus as part of the Fair & Accurate Credit Transactions Act and offers a FREE copy each year from each of the 3 credit bureaus.

Ordering Your Credit Report

1. Order online at www.annualcreditreport.com
2. Call (877) 322-8228
3. Write to: Annual Credit Report Request Service
PO Box 105281, Atlanta, GA 30348-5281

You can also pay* for a copy of your report by contacting one of the following credit bureaus:

www.Equifax.com or (800) 685-1111

www.TransUnion.com or (800) 916-8800

www.Experian.com or (888) 397-3742

*A credit report will cost between \$10 and \$20 through one of these credit bureaus and will only list items reporting to that specific credit bureau, so do get the free ones first!

What information do Credit Bureaus collect on a consumer's credit report?

- Name, previous names, and employment history
- Account history on installment loans (car loans, student loans, etc.)
- Account history on revolving accounts (credit cards)
- Unpaid bills that have been referred to a collection agency
- Public records (liens, judgments, child support owed, etc.)
- Bankruptcy
- Any accounts co-signed by you
- Inquiries from companies you have authorized to have access to your credit report
- Credit Score



Factors lenders consider when examining your credit report:

- Unresolved derogatory credit: collections, charge-offs, late payments (30, 60, 90 days late)
- A 'pattern and practice' of derogatory credit is evaluated more harshly than a period of time that can be explained by an unusual circumstance (loss of job, hospitalization, etc.)
- Credit score
- Lack of credit history
- Recent bankruptcy or previous foreclosure
- Public records (interest in pending legal disputes: divorce, lawsuit, etc.)
- Inquiries within the last 12 months

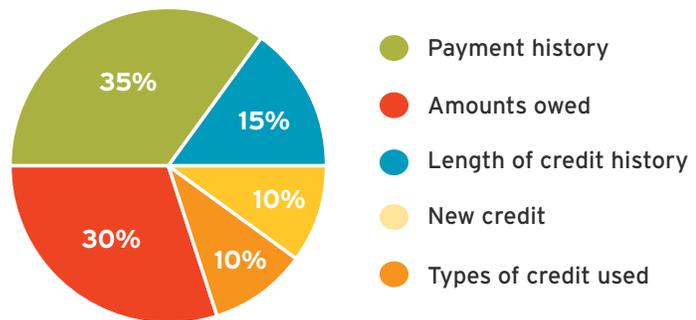
Understanding Your Credit Score

Now that you have good credit, you'll want to maintain it. Let's review how the scores work and how they are generally calculated.

A **credit score** is a three-digit number between 350 and 850 that is generated by a computer. Based on the information in a consumer's credit report, including your debt profile and bill-paying history, this number tells a lender how likely you are to repay a loan or to make credit payments on time. (A credit score can also be referred to as a FICO or BEACON score.) Each lender will weigh your score in a slightly different way. The higher the score, the better your eligibility for a lower-interest 'A Paper' loan.

Credit Score Formula

All three credit bureaus generally use the following formula to calculate your credit score:



Credit Score Tips

Scores automatically improve as one's overall credit picture gets better. Here are a few tips to help you manage your credit obligations:

- Always pay your bills on time. Mail them before the due date.
- Try to pay off credit card balances every month, or if you do have a balance, pay more than the minimum monthly payment and keep balances low (well below 30% of your limit for each credit card).
- Apply for credit sparingly; borrow only what you need and can comfortably afford.
- Check your credit report periodically for any inaccuracies.
- Minimize the number of times you give creditors permission to check your credit record.
- Remember that no credit score is forever. You can always improve it.

A higher credit score will help you pay less with a better interest rate when you do choose to borrow more money in the future whether on a car loan, a home improvement loan, student loan or credit cards.

Check out this comparison for an auto loan with different interest rates depending on credit scores for a \$30,000 car with a 5 year fixed interest rate loan.

| | | | | |
|----------|-------|-------|--------|-------|
| Rate: | 2.75% | 5.25% | 12.25% | 20% |
| Payment: | \$535 | \$570 | \$671 | \$795 |

A higher credit score will help you get the lower interest rate loan and save you money. In our example, having a higher credit score and getting a loan with a 2.75% interest rate instead of 20% would save you \$260 per month or \$15,545 over the life of the loan!

Home Equity Loans

You can also access the equity you have in your home through a Home Equity Loan or a Home Equity Line of Credit (HELOC). When you get a home equity loan, your first mortgage stays the same. The amount you borrow is a second, or junior, loan secured by your house. If you do not repay the second loan, the lender can foreclose, just as your mortgage lender can. These loans generally have higher interest rates and must be paid back more quickly than your mortgage loan.

The loan can be for a fixed amount of money or it can be a credit line. A credit line is somewhat like a credit card, but remember – your home is the collateral. If you are unable to make credit-card payments, you don't lose your home; but if you are unable to repay a HELOC, **you can lose your home**. You are approved to borrow up to a certain amount of money and can borrow it in small or large amounts as you need it rather than all at one time. You pay interest only on the amount you actually borrow.

Certified Financial Planners recommend that you think about a home equity loan or line of credit as a source for goals that outlast the life of the loan, or for important financial goals such as a child's education, and that you make sure you will have the money to pay back the loan over time. For example: If you refinance or take out a home equity loan to pay off a car loan and the car lasts for three years, you'll need another car loan when you'll still be paying off the first loan.



An emergency and home-maintenance savings reserve built now can save you the cost of having to borrow money for future repairs at high interest rates later. Financial Planners recommend that you set aside six months of living expenses for a one-income household and three months of living expenses for a two-income household for future emergencies. Save what you feel comfortable with for a future rainy day.

Avoiding Financial Scams

When you purchased your home it was public record. That means that the price, your loan amount, your name and address are all accessible by the public. It also means that you are suddenly receiving a lot more mail than before, including special offers “just for homeowners”. Some can save you money but others will surely cost you more in the end.

Here are some things to keep an eye out for:

Bi-monthly mortgage payment

- **What it is:** A 3rd party not associated with your mortgage servicer will reach out offering to help you make 2 mortgage payments each month totaling your regular mortgage monthly payment to help you save money in interest and pay off your loan sooner. Sounds good, right? Making pre-payments is always a great idea, or paying more toward principle when you can to pay your loan down sooner, saving you money and time. The bi-monthly mortgage payment service offered by a 3rd party equals making 13 full payments each year, which you can do yourself for free. Many times this ‘special’ outside service can cost as much as \$800 a year, costing you more money than it saves.
- **What you can do instead:** Speak to your loan servicer about the best way for you to make pre-payments without extra fees or companies involved.

Debt Consolidation

- **What it is:** A 3rd party who offers to help you pay off your consumer debt like credit cards and loans by giving you a new loan to pay them off. Watch out for large fees throughout these type of loans and do some research to make sure the company you are considering actually pays the other debts off.
- **What you can do instead:** Come to our free Financial Fitness workshop to learn more about the risks of debt consolidation and a great debt reduction technique called ‘Power Pay’. You can also check out powerpay.org to learn more about this free and powerful tool to reduce your debt and your stress.

Mortgage Life Insurance

- **What it is:** A type of life insurance that will continue paying your mortgage in the event of your death. It is very similar to regular life insurance, but often the premium is added to your monthly mortgage payment. This type of coverage may offer the same thing as regular life insurance but can be a lot more expensive.
- **What you can do instead:** If you currently have life insurance privately or through your employer, ask how your home and mortgage are now covered by it. If you do not currently have coverage, shop around as you would for any insurance to find what will work best for your current situation.

Home Warranty Policy

- **What it is:** Brand new homes typically come with a warranty provided by the builder that will cover the cost of specific repairs over a set period of time after you purchase the home. Companies also sell policies that cover newly purchased existing homes. These policies usually have a fee and a deductible that would need to be paid before other costs are paid for.
- **What you can do instead:** Check your homeowner's insurance policy to see exactly what repairs are covered in your home, up to what amount and under what circumstances. You may find that saving up for a new appliance (see page 46) will be more cost effective than paying for this coverage.

Remember, these offers will not only come via mail, so be wary of phone, email and other online solicitations as well. Unfortunately, people looking to take advantage of others or sell a service that sounds too good to be true look more and more legitimate each day. Someone who shows up at your front door and looks like they do actually work for the company they say might be there to sell you a real product, a fake product, or even see if you are home at that hour. When in doubt, listen to your gut and if it is a service you are interested in, ask if they have a business card so you can think about it and call them back. Then check the company's website to see if the number and more matches up. Taking a few steps to protect yourself can definitely save you time and money in the long run.

If you get a letter in the mail for something that is not listed here and have questions, stop by or give us a call and we'll gladly help you assess if it is legitimate or not, and also discuss some of your options.

Your Privacy Rights

Here are some ways to protect yourself and your privacy.

1. **Opt out of unwanted business solicitations.** Credit bureaus can sell your name and address to companies who want to solicit your business. You have the right to opt out of having all three credit bureaus sell your information by calling one national number:
(888) 5-OPT-OUT
2. **Protect yourself from unwanted phone calls from predatory lenders and other telemarketers.** As of 10/01/03, the Federal Communications Commission (FCC) established the National Do-Not-Call Registry. Telemarketers may not call registered telephone numbers or they will be subject to large fines. The registry will not prevent calls from organizations or businesses with whom you have an established relationship (for example, your phone provider), calls that are not commercial, or calls from nonprofit organizations. To register, call **(888) 382-1222** or go to www.donotcall.gov. You must call from the telephone number you wish to register.
3. **Know where to turn for help if you suspect you may be the victim of identity theft.** Fraud alerts can help prevent an identity thief from opening any more accounts in your name. If you are the victim of identity theft, contact the toll-free fraud number of any of the three credit bureaus below to place a fraud alert on your credit report. You need to contact only one of the three bureaus to place an alert. The bureau you call is required to contact the other two, which will place an alert on their own versions of your report. If you do not receive a confirmation from all three credit bureaus, contact the company you have not heard from directly to place a fraud alert.

Equifax: (800) 525-6285; **Experian:** (888) 397-3742;

TransUnion: (800) 680-7289

You should also file a complaint with the Federal Trade Commission's Identity Theft Hotline, to provide important information that can help law-enforcement officials across the nation track down identity thieves and stop them. Call toll-free: (877) ID-THEFT (438-4338); TTY: (866) 653-4261; visit www.IdentityTheft.gov; or write Identity Theft Clearinghouse, Federal Trade Commission, 600 Pennsylvania Avenue NW, Washington, DC 20580.

4. **Understand your rights under the Fair Credit Reporting act.** The Fair Credit Reporting Act allows credit-reporting agencies to list negative credit and public record information for seven years from the date of delinquency, charge-off, or placement for collection; or for ten years from the date of filing bankruptcy.
5. **Beware of scams that, for a fee, promise to dispute and clear credit issues for you.** Many states have laws regulating the practices of companies that claim they can 'repair' your negative credit information for a fee. No one can have accurate information removed. Check with your Attorney General or local consumer-protection agency before contracting or paying for credit-repair services.



For more information on credit and credit scoring:

www.bankrate.com

www.cardtrak.com
(for comparisons of costs and features)

www.consumersunion.org

www.fairisaac.com

www.ftc.gov

Correcting Credit Issues

If there are mistakes in your credit report or if you would like to dispute something in the report, take one of the following actions:



Dispute Problem Online

You can dispute any errors online at www.annualcreditreport.com; just follow the instructions for disputing errors. Each bureau has 30 days to resolve the issue for you.

Should you have a problem disputing errors through www.annualcreditreport.com, you can always dispute errors online by visiting the credit bureaus through their own websites: www.equifax.com, www.experian.com, and www.transunion.com. These sites provide directions on how to 'Dispute online.' Depending on which bureau(s) your creditor reported the account error to, you might need to go to only one or two bureaus. In disputing your credit report, make sure you refer to the **Reference Number** on the first page of the credit report you obtained for free at www.annualcreditreport.com. After you are finished with the process, your request will be submitted in seconds. Each credit bureau has 30 to 45 days to investigate your request. The results of the investigation will be mailed to you, along with a copy of your credit report.



By Phone

Call **(877) 322-8228** to request a free credit report from any or all three credit bureaus. The report will arrive 7 to 15 days after requested. Once you have received a credit report, look for a phone number provided for investigations or filing a dispute. You will need the Confirmation Number or Report Number listed at the top of the report (this is an ID number unique to your report). You will be able to talk to a customer service representative **to place an investigation** on any account you believe has an incorrect status. That phone number will be good for only 30 days after the date of your request. As with disputing online, credit bureaus have 30 to 45 days to investigate and will send you the results by mail.



By Mail

You can send a request letter to each of the credit bureaus that is reporting the item you want to dispute. See the sample dispute letter on the next page. Your Homewise Home Purchase Advisor is also here to help.



It is important to build a good relationship with your credit and not overextend your borrowing practices. At the first sign of trouble with any creditor, contact the creditor and try to work out a reasonable payment plan to avoid late payments, fees, and referrals to collection agencies.

DATE

YOUR NAME

YOUR ADDRESS

Santa Fe, NM 87507

Complaint Department
Trans Union Consumer Assistance
PO Box 1000
Chester, PA 19022
(800) 916-8800

Complaint Department
Experian National
PO Box 2002
Allen, TX 75013
(888) 397-3742

Complaint Department
Equifax
PO Box 740241
Atlanta, GA 30374
(800) 685-1111

Dear Sir or Madam:

I am writing to dispute/correct the following information in my file. The items I am disputing/correcting also are encircled on the attached copy of the report I received.

1. (Identify item(s) disputed by **name of source**, such as creditors or tax court, and identify **type of item**, such as credit account, judgment, etc.)
2. **This/these item(s) is/are** (inaccurate or incomplete) **because** (describe what is inaccurate or incomplete and why.) (Or, **I do not know what these charges are for and have no record of owing this/these amount(s). Please provide more details on your investigation of the items in question.**)

I am requesting that the item(s) be deleted (or request another specific change) to correct the information. Enclosed are copies of (use this sentence if applicable and describe any enclosed documentation, such as payment records, court documents) supporting my position.

Please investigate this/these matter(s) and (delete or correct) the disputed item(s) as soon as possible. In addition, please send me a free copy of my updated credit report reflecting this/these change(s).

Sincerely,

Your Name

Enclosures: (List what you are enclosing)

Record Keeping

As adults, we end up with many official and important forms. Add being a homeowner and there are even more documents we need to keep safe and have access to. Having an organized system for these documents will save you time and money when you need them.

Ideally your important documents end up in one of four places: fire-proof box at home, filing cabinet, on your computer, or in a safe deposit box at a financial institution.

Where to Store Important Documents

| Safe Deposit Box | Fireproof Box at Home | Friend/Relative/Attorney* |
|--|--|---|
| <ul style="list-style-type: none">• Automobile title• Birth certificates• Citizenship papers• Death certificates• Personal property inventory• Property deeds• Education degrees• Legal documents• Marriage documents• Military documents• Stock/bond certificates• Back tax records• Original Social Security cards• Vehicle titles• Veteran papers• Passport• Adoption documents | <ul style="list-style-type: none">• Canceled checks• Recent tax records• Insurance policies• Living will• Power of attorney• Original will• Trust documents• Warranties• Summary page of important financial and personal information necessary in the event of your death• Bank Account information• IRS tax returns• Household inventory list• Insurance documents (including agent's name, company, phone number) | <ul style="list-style-type: none">• Burial instructions• Living will• Power of attorney• Trust documents• Will (copy of original)• Summary page of important financial and personal information necessary in the event of your death |

Do not put the original copy of your will in your safe deposit box. Some states require that a safe deposit box be sealed at the renter's death, and not be opened until the probate process is completed. This could take a year or more.

*Documents placed with an attorney or another person for safekeeping should also be stored in your fireproof box at home or in a safe deposit box.

Just as important as keeping important documents is properly disposing of anything that you no longer need that has any personal or confidential information. One strategy identity thieves have used is to go through someone's trash looking for documents with names, account numbers, identification numbers and more. When in doubt, don't simply throw away anything that has too much information about you. Invest in a paper shredder and shred old bank statements, paystubs, credit reports, credit card statements, pre-approved credit offers, applications and any other documents that could be used by someone else.

How long before shredding?

1 month: Sales receipts for purchases
Bank account paperwork to help with your budgeting
Credit card receipts (longer for larger purchase)

1 year: Paycheck stubs
Monthly statements from financial accounts (checking, saving, retirement)

Keep indefinitely (ideally in a safe deposit box):

- Tax returns
- Receipts on major purchases
- Real estate documents including title/deed, mortgage paperwork, title insurance etc.)
- Will(s)
- Original Social Security cards
- Birth and death certificates
- Marriage licenses and/or divorce papers
- Insurance policies



Part of protecting yourself and documents also includes digitally and online. Ensure you have strong passwords. Ideally, passwords should be about 10 characters long and include numbers and symbols. One idea is to write an easy-to-remember sentence and take the first letter from each word to create yours. For example: I have 2 brothers & live at 123 Main Street = IH2B&L@123MS.

Don't Borrow Trouble: Protect Your Equity

Once you own a home and have built some equity, financial companies will offer ways for you to borrow from that equity. Be cautious of these offers and ask yourself, "What's in it for them? What do they make off of this deal?"

Predatory lenders are companies that target homeowners who are generally 'equity-rich and cash-poor' – homeowners with home equity who need cash for credit problems, particularly elderly and lower-income households. They tend to charge excessive fees, points, and interest rates, and to employ aggressive or deceitful practices. Taking a loan from a predatory lender can lead you to a foreclosure.

Predatory Lender Hooks: Don't let them hook you!

- "Consolidate your debts!"
- "Low monthly payments!"
- "Bad credit? No problem!"
- "Let us refer you..."
- "Take that vacation you've always wanted!"
- "Need cash right now?"

Early Warning Signs: You know the sharks are circling when...

- The office is a one-stop shop for cash, credit, loans, and/or other services
- You are pressured into signing agreements before you have read and understand them
- The payment schedule includes a large 'balloon' payment
- The agency acts as a referral service for other lenders
- There seems to be an unreasonable number of fees
- Additional unwanted services are added to the contract



Watch out for:

- High interest rates and fees
- Balloon payments
- Negative amortization (eventually owing more on the loan than the home is worth)
- High loan-to-value loans (in excess of the home's value)
- Prepayment penalties
- Additional charges for unnecessary credit life insurance and other 'extras'
- Arbitration clauses (the consumer gives up the right to a hearing with the court system should a problem arise with the loan)
- Adjustable interest rates with promises to refinance at a later date

Tips for Avoiding Predatory Lenders: If it sounds too good to be true, it probably is!

The following are questions to ask any lender if you decide to apply for a loan. You should receive a Loan Estimate that states the following in writing as well.

- What's the total amount financed?
- What's the interest rate? Is it fixed, or adjustable over the term of the loan?
- How much cash will I receive?
- What's the total monthly payment?
- What's the length of the loan or term?
- What's the Annual Percentage Rate (APR)?
- How does the APR compare to the advertised rate?
- Are there any prepayment penalties? If so, what are they?
- Does the interest rate escalate if I'm delinquent on the loan payment?
- Are there any restrictions that would prevent me from refinancing this loan?
- What fees are charged?

Keep your home equity protected and avoid predatory lenders at all costs by following these tips:

- Never sign a contract without understanding all the terms.
- Use an attorney or trusted financial advisor.
- Use the three-day 'Right of Recision' to back out of a contract if you signed in a rush.
- Don't roll unsecured debts (credit-card balances, loans, etc.) into a secured debt with your home as collateral. If you fail to make payments, you may lose your home!
- Look at more than the monthly payments! Remember fees, interest rate, and the APR.
- Be wary of door-to-door, phone, and mail solicitations.
- Don't feel pressured into making a decision on a loan.
- Shop around for loans.



Don't Borrow Trouble: Protect Your Equity. Adding more debt is no way to eliminate debt! Don't be tricked! There are costs to consolidate your debts through refinance and Home Equity Lines of Credit.

Eliminate debts and save for future cash needs through a long-term strategy called **Power Pay**, a debt-reduction plan that will cost you only time. In the end you will have eliminated your debt. Learn about this strategy in our Financial Fitness for Life class. For more information, call **Homewise** at **505.983.WISE(9473)**.

3

Helping Your Community Thrive



When we purchase a home in a community, we are actively choosing to be a part of it. When we involve ourselves with it to the extent we are comfortable, or just a little bit farther, we can find it adds to our lives in a way that might surprise us. Neighborhoods are not just made up of homes, but people, businesses, houses of worship, schools, parks, playgrounds and more. Everyone who lives in a neighborhood can contribute in some way. This chapter is about how we can make being a part of a community a positive experience for ourselves and our neighbors.

Do what you can to build a sense of community with your neighbors. There are a few simple ways we can get the ball rolling such as:

- Wave as you drive by another vehicle.
- Take walks and don't be afraid to wave or say "hi".
- Do some gardening in the front yard on the evenings or weekends.
- Don't be afraid to approach people first, "Hi, I'm [name] and I just moved in. Nice to meet you."
- Not sure where to start the conversation? Ask for their suggestions around local businesses they like or which day the garbage and recycling are picked up.
- Leave on a good note, being seen as someone who is approachable, whether with a wave or by offering your assistance in some way.

If you live in a traditional neighborhood, you have 8 neighbors around you. Can you name them all?

| | | |
|---|---|--|
|  |  |  |
| _____ _____ | _____ _____ | _____ _____ |
|  |  |  |
| _____ _____ | Your home | _____ _____ |
|  |  |  |
| _____ _____ | _____ _____ | _____ _____ |

Many communities now use apps and websites to connect. Joining these networks can help you keep up-to-date with what is going on in your neighborhood, learn about community offerings and can also help enhance neighborhood security.

Here are some additional personal and proactive ideas:

- Keeping up your home and yard will let the neighbors know that you take pride in your home and community, not to mention it will also help keep up your property values.
- Be aware of your noise levels, including your pets, children and music.
- Invite your neighbors to a housewarming party.
- Be proactive if your pets or kids alter or damage your neighbor's property in any way. Reach out to them and take care of it as soon as possible, showing you are responsible and kind.
- Once you know your neighbors you can offer or ask for help gathering mail or packages if either of you will be out of town for extended periods.

Having this community not only helps to make us feel more comfortable in our own homes, but should we need to speak to the larger community or city government about the neighborhood, we have a collective power that we would not otherwise, to raise issues and find solutions.

Different things and circumstances lead different people to become involved. Perhaps you want to solve a problem that affects you, like people driving too quickly through your neighborhood. This may lead you to speak with other neighbors and then reach out to the city or police to see about improving signage or putting in speed bumps. Maybe you want to meet new people and make new friends. It's wonderful to have friendly faces and people you can count on. These meetings can happen at official meetings, a park, or at a neighborhood clean-up you attend or organize. Perhaps you want to share your skills and talents with those around you, or arrange a trade of skills. Overall, we are all looking for a larger sense of belonging and getting involved is a great way to build the community we want to have and be a part of.

What are some ways you might like to get involved in your neighborhood and your larger community?



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