Welcome to Wells Fargo’s Hands on Banking® program!

This fun, interactive, and engaging financial education program is designed for both self-paced, individual learning and group use. These Instructor Guides will help you share this valuable program with groups of any size.

In these guides, you’ll find everything you need to lead participants through real-life scenarios, group discussions, and activities that will encourage them to apply these lessons to their daily lives.

By sharing the Hands on Banking program with others, you’ll help them to take control of their finances and build a brighter financial future.

Program Overview
The Hands on Banking program covers all the basics of smart money management. The curriculum is designed for four age groups: Adults, Young Adults (ages 15–21), Teens (grades 6–8), and Kids (grades 4 and 5).

The Hands on Banking program is an easy and enjoyable way to teach and learn the essentials of financial education: the basics of bank services, the importance of saving, smart money management, using credit responsibly, investing, wealth building, and more. Whether it’s opening a checking account, avoiding identity theft, paying for college, buying a home, or starting a small business, the Hands on Banking program provides real-world skills and knowledge everyone can use.

Using the Instructor Guides
The Instructor Guides can be used alone or as an adjunct to the online/CD-ROM program; however, we strongly encourage you to review the program online or request a free CD-ROM. Even if participants will not experience the program online, gaining familiarity with the online program will help you present it more effectively. The most up to date content can always be found online at www.handsonbanking.org.

Each topic in the Hands on Banking program has its own Instructor Guide which follows the organization of the online program and includes much of the same content. The Adults’ version of the Hands on Banking program includes six topics:

3. Protect Yourself Financially.
4. Using Credit to Your Advantage.
5. Planning Your Future.

Each Instructor Guide includes:

• A glossary of all the relevant terms introduced in the topic.
• A lesson introduction which includes:
  » An overview.
  » Learning objectives.
  » Sample discussion questions to start the lesson.
  » “The Basics”—a list of bullet points outlining the key concepts of the lesson.
• A lesson summary of all the key concepts of the lesson.
• Activities, quizzes, discussion questions, handouts and important tips for key concepts.
• A topic summary that lists all the major concepts of the topic.
• Additional activities designed to extend the concepts presented in the topic to the real world.
• A Library Resource section that includes additional reference materials and handouts.
Lesson Concepts and Icons
Each lesson of a topic will present several key concepts. These concepts are introduced to your participants in a variety of ways which are represented in the guides by these icons.

**Activity**
An activity usually involves some sort of class participation, whether it is a matching game, a fill in the blank exercise, or worksheet completion. Typically after an activity you will have the opportunity to lead a discussion.

**Discussion**
Discussions allow you to introduce key concepts while involving your participants in the conversation and making the information relevant to them. In some places, sample discussion questions are included to help you guide the discussion.

**Quiz**
Throughout all the topics, there are short quizzes designed to start discussions or quickly test participants' knowledge of certain concepts.

**Handout**
All of the Instructor Guides include handouts that are designed as a resource for your participants to use outside the classroom in their daily lives. For example, one handout includes a list of web links for participants to use as they start, grow and manage their small business.

**Activity and Discussion Handouts**
Sometimes during a lesson, an activity or discussion will also use a handout to teach key concepts. In these cases the Handout icon is placed below the Activity or Discussion icon.

**Transition**
The Transition icon will let you know when the next concept is related to or follows up on the concept you're presently discussing or covering with your participants.

**Library Articles**
The online/CD-ROM version of the Hands on Banking program includes a vast library with relevant articles, checklists, and worksheets for each topic and lesson.

Relevant library articles are recommended at the end of each lesson. These articles provide additional information to use in teaching key concepts (look for the library icon as seen above). We encourage you to review the full library selection online or on the CD-ROM. Feel free to enrich your sessions with additional articles from the library.

You can photocopy these articles and distribute them to participants to start a discussion, or you may want to give them away as handouts for participants to read on their own time. These library articles expand the topic content.
Pre-and Post-tests for Adults and Young Adults
When you use the Adults’ and/or Young Adults’ courses with a group or in a classroom setting, we invite you to use the Hands on Banking pre and post test we’ve developed. They can be accessed in the “Instructional Resources” section of handsonbanking.org.

- The Pre-test will help you to determine what topics to emphasize with your group.
- The Post-test will help you assess participants progress.

We’d like to request that you report the anonymous results of these tests to our Hands on Banking team. Your input will help us to continue to improve the program.

How to Access the Interactive Program
The Hands on Banking program is available free of charge in both English and Spanish.

- Available for free on CD-ROM—all four age groups are included.
- You may order a CD at HOBCD@wellsfargo.com. There is no charge for small quantities of the CD-ROM. Please email for information regarding high-volume requests. Allow two weeks for delivery.

Once again, Thank You!
Thank you for sharing these valuable financial education programs with students and adults in our communities. As an instructor, your training and guidance will provide others with the knowledge and skills they need for a brighter financial future.

We welcome your comments and suggestions for future versions of the Hands on Banking curriculum and the Instructor Guides. And, we would very much like to hear your success stories. Please contact us via email at HOBinfo@wellsfargo.com.
Buying a Home

Topic Overview

The process of buying a home should be easy for your participants to understand once it’s broken down into steps. Whether they’re dreaming of buying their first home, or if they already own a home, this topic will help them master all the financial aspects of home ownership.

This topic includes seven lessons:

1. Are you ready to buy?
2. Before you shop
3. The homebuying process
4. Getting a mortgage
5. Borrowing against your equity
6. Protect your home investment
7. Recap

These lessons include a number of hands-on participant activities. Use these activities to help simulate real-world scenarios and activities with your participants.

This instructor guide is based on and follows the structure of the online Hands on Banking® program. We invite you to use and experience the online program as it is an excellent resource that will support your instructional efforts and enhance your participants’ experience. It includes a variety of interactive lessons and many helpful resource library articles to augment this guide. Visit www.handsonbanking.org to access the program. Should you require a CD ROM to access the program you may request a free copy at HOBCD@wellsfargo.com.
# Instructor’s Guide — Adults

## Topic Overview

- **Glossary**
- **Lesson 1: Are You Ready to Buy?**
  - Homeownership: Benefits & Realities (Instructor Copy)
  - The Costs of Homeownership (Instructor Copy)
  - Your Home as an Investment (Instructor Copy)
  - Are You Ready? Activity (Instructor Copy)
- **Lesson Summary**
- **Lesson 2: Before You Shop**
  - Make a Game Plan Activity (Instructor Copy)
  - Evaluate How Much You Can Pay
  - Chose a Lender the Smart Way
  - Predatory Lending Warning Signs Activity (Instructor Copy)
  - Get Preapproved Activity (Instructor Copy)
- **Lesson Summary**
- **Lesson 3: The Homebuying Process**
  - Select a Real Estate Agent Activity (Instructor Copy)
  - What Are Your Next Steps? Quiz (Instructor Copy)
  - Your Next Steps (Instructor Copy)
- **Lesson Summary**
- **Lesson 4: Getting a Mortgage**
  - Home Loan Vocabulary Activity (Instructor Copy)
  - Home Loan Vocabulary (Instructor Copy)
  - Steps in the Lending Process Activity (Instructor Copy)
  - Complete the Loan Application (Instructor Copy)
  - The “Five Cs” of Credit Activity (Instructor Copy)
  - If the Lender Says No Activity (Instructor Copy)
- **Lesson Summary**
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- Lesson 5: Borrowing Against Your Equity ............................................................... 62
  - Home Equity Loans & Lines (Instructor Copy) .................................................. 63
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- Lesson 6: Protect Your Home Investment .............................................................. 66
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Glossary

Instructor note:
The Glossary contains definitions and descriptions of valuable terms and phrases related to this topic. Encourage your participants to use the Glossary during and after the class to become more familiar and comfortable with the terminology.

Photocopy the glossary on the next page and hand it out to your participants.
Glossary

Adjustable-rate mortgage (ARM)  A loan that allows the lender to make changes in the interest rate, and the resulting principal and interest payments charged to the borrower. These rate changes are usually tied to the rise and fall of a financial statistic (called an index), such as the prime rate or Treasury Bill rate. The initial interest rates on ARMs are lower than rates on fixed-rate mortgages, as the borrower is taking the risk of the interest rate rising over time. The borrower is protected by a maximum interest rate, which the lender may reset annually. There may be a limit on the number and amount of increases or decreases to the interest rate at each change date or over the life of the loan.

Appraisal  A professional estimate of a property’s market value.

Appreciate (in value)  To increase in value or price over time.

Asset  Anything of value owned by a person or company. For example, a person’s assets might include cash, a house, a car, and stocks. A business’s assets might include cash, equipment, and inventory.

Balloon payment  A final lump sum payment that is due, often at the maturity date of a balloon mortgage.

Capacity  A borrower’s ability to make monthly loan payments. When reviewing loan applications, lenders look at a borrower’s income and debts to determine his or her capacity to repay.

Capital  The assets a borrower owns, for example a car, or cash in a savings account minus your liabilities. If a borrower is unable to make his or her loan payments, a lender might use these assets to pay the debt. Capital is also known as collateral or assets.

Character  The financial steadiness and stability of a borrower. For example, when reviewing your loan application, a lender may look at how long you’ve lived at your current address or worked at your current job.

Closing  The day and time when all final mortgage documents are signed and all necessary payments are transferred to complete the purchase of a house. Also known as the settlement date.

Closing agent  Usually an attorney or title agency representative who oversees a closing and witnesses the signing of the closing documents.

Closing costs  Expenses or settlement costs, above the home sales price, charged to both the buyer and seller to complete the transfer of the property and in connection with obtaining a mortgage loan. There are also closing costs on a refinance loan.

Collateral  Any assets of a borrower (for example, a home) that a lender has a right to take ownership of if the borrower doesn’t repay the loan as agreed.

Conditions  Eligibility requirements that may be required by a lender to secure a loan or product.

Credit insurance  When you apply for a mortgage or personal loan you may be asked if you want to purchase credit insurance. This credit policy protects the loan on the chance that you can’t make your payments. Credit insurance usually is optional, which means you don’t have to purchase it from the lender.

Debt-to-income ratio  A percentage that is calculated by dividing a loan applicant’s total debt payments by his or her gross income.
## Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deed-in-lieu of foreclosure</strong></td>
<td>The transfer of title from a borrower to the lender to satisfy the mortgage debt and avoid foreclosure. Also called a &quot;voluntary conveyance&quot;.</td>
</tr>
<tr>
<td><strong>Default</strong></td>
<td>Failure to repay a credit agreement according to its terms.</td>
</tr>
<tr>
<td><strong>Earnest money</strong></td>
<td>A portion of the down payment delivered with a purchase offer by the purchaser of real estate. Delivered to the seller, or an escrow agency, by the purchaser with the purchase offer as evidence of good faith. Also known as a deposit.</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>The value of your investment above the total of your lien (debt).</td>
</tr>
<tr>
<td><strong>Equity stripping, equity skimming</strong></td>
<td>Also known as foreclosure rescue. Predatory investors or small companies target low-income, homeowners facing foreclosure and trick them into signing away their equity and property.</td>
</tr>
<tr>
<td><strong>Fixed rate</strong></td>
<td>An interest rate that remains the same during the entire term of the loan.</td>
</tr>
<tr>
<td><strong>Fixed-rate mortgage</strong></td>
<td>A loan with an interest rate that remains the same over the life of the loan.</td>
</tr>
<tr>
<td><strong>Foreclosure</strong></td>
<td>The legal process by which an owner's rights to a property is terminated, usually because of failure to make loan payments as agreed. Foreclosure typically involves a forced sale of the property at public auction, with the money applied to the remaining debt.</td>
</tr>
<tr>
<td><strong>Foreclosure rescue</strong></td>
<td>SEE Equity stripping, equity skimming.</td>
</tr>
<tr>
<td><strong>Good Faith Estimate</strong></td>
<td>A document that tells mortgage borrowers the approximate costs they will pay at or before closing, based on common practice in the locality.</td>
</tr>
<tr>
<td><strong>Guarantee / Guaranty</strong></td>
<td>A lender may require an additional signature on a loan to insure that this person will pay the loan if you do not.</td>
</tr>
<tr>
<td><strong>Home equity</strong></td>
<td>The financial difference between what your home or other real estate is worth and the amount you still owe as debt on the home or other real estate. For example, your home is worth $100,000 and you owe $75,000 on your mortgage, then you have $25,000 of equity in your home.</td>
</tr>
<tr>
<td><strong>Interest</strong></td>
<td>The amount of money paid by a borrower to a lender in exchange for the use of the lender's money for a certain period of time. For example, you earn interest from a bank if you have a savings account and you pay interest to a lender if you have a loan.</td>
</tr>
<tr>
<td><strong>Loan modification, restructure, assignment</strong></td>
<td>Any change to the terms of a mortgage loan, including changes to the interest rate, loan balance, or loan term.</td>
</tr>
<tr>
<td><strong>Loan servicing</strong></td>
<td>The tasks a lender performs to protect the mortgage investment, including the collection of mortgage payments, escrow administration, and delinquency management.</td>
</tr>
<tr>
<td><strong>Loan to value (LTV)</strong></td>
<td>The ratio of the amount borrowed to the appraised value or sales price of real property expressed as a percentage.</td>
</tr>
<tr>
<td><strong>Market value</strong></td>
<td>The current value of your home based on what a purchaser would pay. An appraisal is sometimes used to determine market value.</td>
</tr>
</tbody>
</table>
Glossary

**Mortgage**
A loan to finance the purchase of a home, usually with defined payments and interest rates. The homeowner gives the bank a lien, called the “mortgage,” on the home, which serves as collateral for the loan.

**Net worth**
The value of a company or individual's assets. Including cash, less total liabilities.

**Preapproval**
A written commitment from a lender, subject to a property appraisal or other stated conditions, that confirms the price of home a potential borrower can afford.

**Pre-closing: loan settlement**
Your mortgage consultant will work with you to secure any required title insurance and real estate documents to protect against other parties claiming ownership of the property.

**Predatory lending**
When lenders conduct business in ways that is illegal or not in the best interest of borrowers, using tactics that are fraudulent, deceptive, or discriminatory and, as a result, cause the borrower to have difficulties in making payments as agreed.

**Prequalification**
A preliminary assessment by a lender of the amount it will lend to a potential home buyer. The process of determining how much money a prospective home buyer may be eligible to borrow before he or she applies for a loan.

**Prime rate**
Is merely the base rate used to make loans to certain borrowers. It is not necessarily the lowest or best rate at which loans are made.

**Principal**
The total amount of money borrowed, loaned, invested, etc., not including interest or service charges.

**Sales contract**
A legal agreement, signed by the buyer and the seller, that spells out the terms and conditions for the sale, for example, for a home or property. Also called the sales agreement.

**Secured loan**
A loan where the borrower provided approved collateral, such as a vehicle or investment account, to secure the loan.

**Short sale, pre-foreclosure sale**
Allows you to sell your home and use the proceeds to pay off the mortgage if you are unable to maintain payments, even if the home's market value is less than the total amount owed.

**Survey**
A precise measurement of a property which defines legal boundaries of the property and the dimensions and location of improvements.

**Title agency**
A company specializing in titles, the legal documents that establish who has the current right to, or ownership of, a property, plus a history of the property's ownership and transfers.

**Title insurance**
This provides the lender and the buyer (if you purchase owner's coverage) with coverage for losses resulting from specific title defects listed in the policy. In cases where land and property have changed hands over time, there is always the possibility an error has occurred.

**Underwriting**
The process of a lender reviewing the application, documentation and property prior to rendering a loan decision.

**Variable rate**
An interest rate that changes on a periodic basis, usually tied to movement of an outside indicator, such as the prime interest rate. Savings accounts, mortgage loans and certain other kinds of loans, for example may use a variable interest rate. Also called an adjustable rate.

**Workout**
Restructuring the loan with your loan servicer in a way that enables you to repay the debt.
Lesson 1: Are You Ready to Buy?

This lesson will teach participants the benefits and realities of owning a home, the costs involved and how to decide if they’re ready to buy.

Learning Objectives
After completing this lesson, participants will be able to:

- List the benefits and realities of home ownership.
- List and explain the variety of expenses involved in purchasing and maintaining a home.
- Determine if they’re ready to buy a home.

Start the Discussion
To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- What do you think are some of the pluses and minuses of renting your home or apartment?
- By comparison, what do you think are some of the pluses and minuses of owning your own home?
- How many Americans do you think own their own home (about two-thirds)?
- How would you go about deciding if you’re ready—financially or otherwise—to own your own home?

The Basics

- Buying a home is one of the largest purchases you’ll ever make.
- You need to really think through your decision to buy a home.
- Homeownership offers lots of benefits.
- But before you start house shopping, you need to think about whether owning a home is right for you—and what it will really take to buy and maintain a home.
**Topic 6 — Buying a Home**

**Homeownership: Benefits & Realities Activity (Instructor Copy)**

*Instructor note:*
Photocopy the activity handouts on the following two pages. Pass out the first, blank handout. Instruct participants to write down a list of benefits of owning a home and a list of the realities of owning a home. Then, pass out the second, completed handout and lead a discussion.

**Instructions:**
Have your participants write a list of benefits of owning a home and a list of the realities of owning a home.

**Benefits and Realities of Homeownership**

<table>
<thead>
<tr>
<th>Benefits of Owning a Home</th>
<th>Realities of Owning a Home</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A place of your own</strong></td>
<td><strong>Ongoing costs</strong></td>
</tr>
<tr>
<td>• Owning a home is an opportunity to settle down and gain a sense of belonging in a community.</td>
<td>• Homeownership is a large, long-term financial responsibility.</td>
</tr>
<tr>
<td>• It can give you a sense of personal satisfaction to have a home of your own to share and enjoy with family and friends.</td>
<td>• If you don’t want to commit to a mortgage, taxes, insurance, utilities, and maintenance—or if your future income is uncertain—owning a home may not be practical at this time.</td>
</tr>
<tr>
<td><strong>An investment in your future</strong></td>
<td><strong>Less easy to move</strong></td>
</tr>
<tr>
<td>• The value of your home can increase over time, making your investment grow.</td>
<td>• If you think you may need to move in the near future, buying a home may not be practical because selling it could take time.</td>
</tr>
<tr>
<td>• As you pay down your mortgage loan over the years, you can build ownership interest, called equity, which can offer financial flexibility under the right circumstances.</td>
<td>• If you buy a home and then have to move, you could end up paying for the home you already own, plus the added expense of a new home.</td>
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<td>• Your home is also a legacy, financial or otherwise, for the next generation.</td>
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</tr>
<tr>
<td><strong>Manage your housing payments</strong></td>
<td><strong>Upkeep of the home</strong></td>
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<tr>
<td>• In some cases, monthly mortgage payments may be lower than rental payments.</td>
<td>• You’ll be responsible for all utility bills, home repairs, and maintenance, some of which can be costly.</td>
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<td>• Many home loans, or mortgages, are fixed-rate. This means the amount you pay stays the same month after month, which can help you plan your spending.</td>
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<td><strong>Tax benefits</strong></td>
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<td>• Most homeowners receive tax breaks, because interest paid on a home mortgage and real estate taxes are almost always tax deductible.</td>
<td>• While most homes increase in value over time, it is possible that your home could lose some of its value.</td>
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<td>• Consult your tax advisor regarding the deductibility of interest.</td>
<td>• You could lose money if you sell it for less than what you paid for it.</td>
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<td>• Even if values in your area remain steady or increase, if you don’t keep your property well-maintained, it could decrease in value.</td>
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<tr>
<td><strong>A financial stepping stone</strong></td>
<td><strong>Possibility of foreclosure</strong></td>
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<tr>
<td>• Paying your mortgage and other expenses on time and in full will strengthen your credit rating.</td>
<td>• In an extreme situation, if you couldn’t make your mortgage payments, the lender could foreclose. This means you would lose ownership of the property.</td>
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<td>• Managing your finances responsibly helps to increase your financial strength and options.</td>
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Homeownership: Benefits & Realities Activity

Instructions:
In the spaces provided, write a list of the benefits of owning a home and a list of the realities of owning a home.

Benefits and Realities of Homeownership

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Homeownership: Benefits & Realities

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</table>
The Costs of Homeownership (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Instruct your participant to use the phrases from the Word Bank to match each home ownership cost with its correct description.

**Instructions:**
Have your participants use the phrases from the Word Bank to match each homeownership cost with its correct description.

**Word Bank**
- Bank fees
- Closing costs
- Down payment
- Home repairs & maintenance
- Home warranty protection
- Insurance
- Mortgage
- Overdraft charges
- Property taxes
- Costs of Homeownership

<table>
<thead>
<tr>
<th>Cost</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Down payment</td>
<td>A portion of the sales price paid to the seller by the homebuyer to close the sales transaction. Down payments usually range from 3% to 20% of the property value. You may be required to have Private Mortgage Insurance (PMI or MI) if your down payment is less than 20%.</td>
</tr>
<tr>
<td>Closing costs</td>
<td>Costs paid by the borrower (and in some cases the seller) in addition to the purchase price of a home. These may include the origination fee, discount points, appraisal, credit report, title insurance, attorney’s fees, survey, and pre-paid items such as tax and insurance escrow payments. It’s common for these costs to total between 3% and 5% of your total mortgage. You will receive an estimate of these costs from your lender after you apply for a mortgage.</td>
</tr>
<tr>
<td>Mortgage</td>
<td>Because houses have such a high price tag, almost everyone borrows some, if not most, of the money they need to buy one. You’ll probably need a home loan, or mortgage, from a mortgage lender. You’ll need to pay back the mortgage by making regular payments (usually monthly) over a period of years, with interest.</td>
</tr>
<tr>
<td>Home repairs &amp; maintenance</td>
<td>The cost of maintaining your home. The amount will depend on the condition of your home, its exposure to the elements, the care with which you treat it, the number of people who live in it and the type of usage.</td>
</tr>
<tr>
<td>Property taxes</td>
<td>Taxes typically paid at least once a year to one or more governmental authorities. The amount is based on the market value of your property as determined by the county where the property is located.</td>
</tr>
<tr>
<td>Insurance</td>
<td>Homeowner’s or hazard insurance protects you against financial losses on your property as a result of fire, wind, natural disasters or other hazards.</td>
</tr>
<tr>
<td>Home warranty protection</td>
<td>A home warranty is a type of insurance that some homeowners purchase to cover repairs to major systems such as plumbing, electrical, and heating systems, as well as installed appliances.</td>
</tr>
</tbody>
</table>
The Costs of Homeownership

Instructions:
Use the phrases from the Word Bank to match each homeownership cost with its correct description.

Word Bank

- Bank fees
- Closing costs
- Down payment
- Home repairs & maintenance
- Home warranty protection
- Insurance
- Mortgage
- Overdraft charges
- Property taxes

Costs of Homeownership

<table>
<thead>
<tr>
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<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Down payment</td>
<td>A portion of the sales price paid to the seller by the homebuyer to close the sales transaction. Down payments usually range from 3% to 20% of the property value. You may be required to have Private Mortgage Insurance (PMI or MI) if your down payment is less than 20%.</td>
</tr>
<tr>
<td>Closing costs</td>
<td>Costs paid by the borrower (and in some cases the seller) in addition to the purchase price of a home. These may include the origination fee, discount points, appraisal, credit report, title insurance, attorney's fees, survey, and prepaid items such as tax and insurance escrow payments. It’s common for these costs to total between 3% and 5% of your total mortgage. You will receive an estimate of these costs from your lender after you apply for a mortgage.</td>
</tr>
<tr>
<td>Mortgage</td>
<td>Because houses have such a high price tag, almost everyone borrows some, if not most, of the money they need to buy one. You’ll probably need a home loan, or mortgage, from a mortgage lender. You’ll need to pay back the mortgage by making regular payments (usually monthly) over a period of years, with interest.</td>
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Your Home as an Investment (Instructor Copy)

Instructor note:
Photocopy the activity handout on the following page. Start a discussion by asking questions such as:
• “How can owning a home strengthen your financial situation?”
• “If your home is an investment, what kind of financial benefits will you receive? Are there any disad-
  vantages?”

Then, distribute the activity handout and continue the discussion by emphasizing these key points.

When you buy a home, you're making an investment that can strengthen your financial future.

Benefits of Homeownership

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Description</th>
</tr>
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</table>
| A solid long-term investment    | • Over time, homeownership builds wealth.  
• According to the most recently available figures from the Federal Reserve, the median net worth for homeowners was 46 times the median net worth for renters: $184,400 vs. $4,000. Homeownership is a powerful contributor to the difference. |
| Significant tax advantages      | • Within limits, homeowners can deduct mortgage interest, mortgage insurance, and property taxes.  
• When you sell the home, there may be a capital gains tax exemption available for primary residences.  
• Check with a tax professional to see how these benefits may apply to you. |
| Historically, home prices rise   | • While home prices have seen recent declines in some areas, home prices generally appreciate, or rise, over time.  
• Historically, most homeowners who own their property as a long term investment have seen the value of their investment increase. |
| Housing markets are local, not national | A home’s value reflects local conditions, so instead of worrying about national averages, consider the prospects for economic growth, housing supply, and housing demand in your local area. Talk with real estate professionals in your community to get an assessment of local conditions. |
| Timing the housing market is difficult | Naturally, you'd like to buy a home when prices are at their lowest point, and then sell it years later, just as home values and prices reach some peak. But don't count on it. Successfully “timing the market” owes much more to luck than to skill. A more sound strategy is to have more time in the market. In other words, if you plan to purchase a home for the long-term, there's usually a better chance that your investment will increase in value if you buy rather than wait on the sidelines. |
Your Home as an Investment

When you buy a home, you’re making an investment that can strengthen your financial future.

Benefits of Homeownership

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Are You Ready for Homeownership?

<table>
<thead>
<tr>
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<th>No √</th>
<th>Situation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>I have a steady, reliable source of money coming in.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I’ve been employed on a steady basis for at least the last two years.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I pay my regular monthly bills, such as rent and utilities, on time.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I make regular payments on my debts (credit cards, car loans, etc.).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I can afford to continue to pay these debts plus pay a mortgage.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(In general, mortgage costs should not exceed 28% of your gross income.)</td>
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<td></td>
<td>I’ve researched how much my other expenses are likely to be—such as</td>
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<td></td>
<td>homeowners insurance, taxes, association dues, utilities, repairs, and</td>
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<tr>
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<td></td>
<td>maintenance—and feel confident that I can pay them.</td>
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<td></td>
<td>I have some money saved for the purpose of buying a home.</td>
</tr>
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<td></td>
<td></td>
<td>I understand that buying a home is a major, long-term responsibility.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I’m committed to fulfilling that responsibility.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I have time to take care of a house—including responsibilities like home</td>
</tr>
<tr>
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<td></td>
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<tr>
<td></td>
<td></td>
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As a homeowner, your monthly house expenses may be higher than what you paid in rent, but you’re investing in an asset that can help you build wealth and roots in a community.
Are You Ready? Activity

This checklist will help you determine if you’re ready by asking you questions about:

- Your current financial picture:
- Credit history and credit score.
- Debt-to-income ratio.
- Ability to pay monthly.

Are You Ready for Homeownership?

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Tip!

As a homeowner, your monthly house expenses may be higher than what you paid in rent, but you’re investing in an asset that can help you build wealth and roots in a community.
**Scenario Activity—To Buy or Not to Buy? (Instructor Copy)**

**Instructor note:** Photocopy the activity handout on the next page. Ask participants to choose the best possible option, and then, for each option, instruct them to write a few sentences about why it was right or wrong for the situation. After participants finish, lead a group discussion about their choices, using the consequences and feedback provided below.

**Instructions:** Have participants read Brandon and Tracy's story. Based on their situation, choose the best possible option. Then, for each option, have them write a few sentences about why the option was right or wrong for Brandon and Tracy's situation.

**Brandon and Tracy's Story**
Brandon and Tracy both have demanding jobs and live in a beautiful $1,200 a month apartment. They're considering buying their first home and have found two they like. Each costs $200,000; the monthly mortgage payment will be $1,298. The house they prefer needs a lot of repairs. To buy either, they'll need most of their savings for the down payment and need to cut back on a number of things in order to pay the new monthly expenses. What should Brandon and Tracy do?

1. **Keep working, saving, and enjoying their apartment until they can buy a house they really want.**
   
   **Consequences:** They're enjoying the apartment, but are not getting anywhere financially. Their homeowner friends are starting to build home equity and have tax advantage. They have nothing to show but a cancelled check. They should have been more flexible about giving up a few things and bought a home sooner.

   **Feedback:** If their landlord raises their $1,200 rent by 2% a year, in 30 years they'll be paying $2,828 a month. After 30 years, they'll have paid more than $685,000 with no assets to show for it. If they're willing and able to pay somewhat more for housing now, they could start building wealth as homeowners.

2. **Buy the house that's in better condition.**
   
   **Consequences:** This was the right choice at the right time. Although it isn't their dream home, it's a great start to building home equity and getting tax advantages. They're managing their money to pay all the new expenses. They liked the other house, but didn't have the time or money to deal with all the repairs.

   **Feedback:** This is the best choice. Based on a 3% average annual increase in value, their $200,000 home will be worth $485,000 in 30 years. They'll also be able to save money each year on taxes.

3. **Buy the house they prefer, even though it needs repairs.**
   
   **Consequences:** They're glad to be homeowners, but living through the remodeling is a hassle. They're both so busy at work that they had to hire contractors for the repairs. That costs a lot, especially on top of all their other new home expenses. But, they are in the location they want and the house will look great. Overall, we think our investment in this fixer-upper will be worthwhile.

   **Feedback:** This wasn't the ideal short-term choice but could work out long-term. They should have considered the total picture of their new monthly expenses. They'll be short on funds until the remodel is done and their home could lose value if they can't complete the necessary work.
Scenario Activity—To Buy or Not to Buy?

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Brandon and Tracy’s Story
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What should Brandon and Tracy do?

1. Keep working, saving, and enjoying their apartment until they can buy a house they really want.
   Should they choose this option? Why or why not?

2. Buy the house that’s in better condition.
   Should they choose this option? Why or why not?

3. Buy the house they prefer, even though it needs repairs.
   Should they choose this option? Why or why not?
Lesson Summary

Instructor note:
Summarize this lesson by reviewing these key points with your participants.

Key points from the Are You Ready to Buy? lesson:
- Buying a home is one of the largest purchases you’ll ever make.
- You need to really think through your decision to buy a home.
- Homeownership offers lots of benefits.
- But before you start house shopping, you need to think about whether owning a home is right for you—and what it will really take to buy and maintain a home.
Lesson 2: Before You Shop

In this lesson, participants will learn about making a game plan and setting realistic goals for what they can purchase before they go house shopping. They will learn the pros and cons of different loan types, the importance of choosing the right lender and how to get preapproved.

Learning Objectives

After completing this lesson, participants will be able to:

- Prepare a “game plan” to help them buy their first home.
- Set realistic goals for what they can afford.
- List the pros and cons of various loan types.
- Describe the importance of choosing a lender.
- Identify warning signs for predatory lending practices.
- Describe the process for getting pre-approved.

Start the Discussion

To start a discussion with your participants, ask some open-ended questions.

- Describe your dream home. Now, describe the “must have” features you’d like to see in a home you can afford.
- What does your family think about buying a new home? Do they understand the costs and possible trade-offs that could arise?

The Basics

- There are some important steps you need to take before you go house shopping: make a game plan, evaluate how much you can pay, choose a lender, and get preapproved for a loan.
- The process of homebuying is made much easier if you shop for a mortgage first, and then shop for a house.
- Consider taking a class for first-time homebuyers. Many lenders, realtors, and homebuilders sponsor them.
## Make a Game Plan Activity (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Instruct your participants to read the list of action items they should do before buying a house. Instruct them to list examples of things they can do for each action item.

Having a game plan can help you buy your first home.

**Instructions:**
Have your participants fill in the right column of this chart by listing examples of steps they can take to complete the tasks listed in the left column.

### Making a Game Plan

<table>
<thead>
<tr>
<th>Action Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Determine must-have features</strong></td>
<td>• Decide what you need in a home.</td>
</tr>
<tr>
<td></td>
<td>• Consider square footage, number of bedrooms and bathrooms, features like a garage or fenced yard, and neighborhood.</td>
</tr>
<tr>
<td><strong>Create a saving strategy</strong></td>
<td>• Create a strategy for saving the money you'll need to buy a home.</td>
</tr>
<tr>
<td></td>
<td>• Plan ahead for the whole year.</td>
</tr>
<tr>
<td></td>
<td>• Review your progress once a month to see how well you’re doing.</td>
</tr>
<tr>
<td><strong>Create family teamwork</strong></td>
<td>• If you have a family, the whole family is part of your financial picture. So get them involved in the planning process.</td>
</tr>
<tr>
<td></td>
<td>• Sit down as a family to discuss the goal of owning a home.</td>
</tr>
<tr>
<td></td>
<td>• By getting everyone working together toward the same goal, you can avoid conflicts about how money is being spent, and save the money you need even faster.</td>
</tr>
<tr>
<td><strong>Keep good records</strong></td>
<td>• Tracking what you spend will help you stick to your financial strategy.</td>
</tr>
<tr>
<td></td>
<td>• Keep your record-keeping system as simple as possible so that it doesn’t take too much time.</td>
</tr>
</tbody>
</table>
## Make a Game Plan Activity

Having a game plan can help you buy your first home.

**Instructions:**
The left column of this table lists things you should do before you buy a home. In the right column, list some examples of how you will complete these tasks.

### Making a Game Plan

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</table>
Evaluate How Much You Can Pay

**Instructor note:**
Start a discussion by asking questions such as:

- “What are the steps you should take to determine how much you can pay for a house?”
- “In addition to mortgage payments, what other costs should you consider when figuring out how much you can afford?”

Continue the discussion by listing these five steps.

To determine a housing budget that’s comfortable for you, follow these five steps.

1. **Review** your monthly spending plan and identify non-essential spending.
2. **Calculate** how large a monthly mortgage payment you could make.
3. **Decide** how large a mortgage payment you are willing to make.
4. **Determine** how much money you’ve saved for a down payment and closing costs.
5. **Talk** to a home mortgage consultant about financing options that fit your needs.

**Tip!**
To determine your homebuying power, multiply your gross annual income by 2.5 to estimate a top purchase price, or by 28% and divide by 12 to estimate the upper limit for your monthly housing expenses.
Instructor note:
At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.

Recommended Article: Calculating Your Costs

Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.
Chose a Lender the Smart Way

**Instructor note:**
Lead a group discussion about predatory lending. Use the questions and answers below to frame the discussion.

**What is predatory lending? Do you believe it exists?**
- Predatory lending is when a lender will deceptively try to convince you to agree to unfair or abusive loan terms...or violate those terms in some way that will make it difficult for you to defend yourself.
- Anyone can be a target.
- Know the warning signs to look for can help you to avoid being a victim.

**What does it mean to choose a lender the smart way?**
- Always be careful when selecting a lender because there are a few you should watch out for.

**What can a responsible lender do for your?**
- A responsible lender can help you gain financial flexibility and achieve your goals.

**How do you find a responsible lender?**
- Look for an established company with a good reputation.
- Ask a money-savvy friend, family member, or work associate for a referral.
- Or, ask your local banker or employer.

**What are the good signs of a responsible lender?**
- Good lenders will put everything in writing, give you time to shop and compare costs and rates before you sign a loan agreement.
- Good lenders typically work for an established company with a good reputation.

**Tip!**
You’ll have to live up to the terms of the loan agreement you sign, so it’s critical that you understand exactly what you’re signing and avoid predatory lenders. Ask your financial or legal advisor to help you.
Instructor note:
Photocopy the activity handout following these instructions. Cut the page into nine strips—each one will include a warning sign. Divide the class into nine groups (if you do not have enough students for nine groups, assign two or more warning signs to a group). Hand out a warning sign to each group. Ask them to define or explain each warning sign as well as tips to avoid these predatory lending practices. After they are finished, ask each group to share their definitions. Use the chart below to help participants explain each warning sign.

### Predatory Lending Warning Signs

<table>
<thead>
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<th>Warning Sign</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Encouragement to include false information</td>
<td>• If a lender has changed any of your income or expense information or leaves your income blank, do not sign the loan application.</td>
</tr>
<tr>
<td>Incomplete loan documents</td>
<td>• Never sign a loan document with missing information.</td>
</tr>
<tr>
<td></td>
<td>• Don't work with a lender who asks you to sign a document that is not completely or accurately filled in.</td>
</tr>
<tr>
<td>“Bait and switch” sales tactics</td>
<td>• When a lender makes promises in order to make the sale, then backs out on the promises after the sale.</td>
</tr>
<tr>
<td></td>
<td>• Carefully read and understand the agreement before you sign.</td>
</tr>
<tr>
<td></td>
<td>• Question anything in the document that is not consistent with what you were told.</td>
</tr>
<tr>
<td></td>
<td>• Don't sign the agreement if it is unclear, incomplete, or not as promised.</td>
</tr>
<tr>
<td>Equity stripping or skimming (foreclosure rescue)</td>
<td>• Predatory investors or small companies target low-income homeowners facing foreclosure and trick them into signing away their equity and property.</td>
</tr>
<tr>
<td></td>
<td>• Example: they might bury a document in a stack of loan papers that signs over home ownership to the loan company, or even forge homeowners’ signatures.</td>
</tr>
<tr>
<td>Loan flipping</td>
<td>• Refinancing a loan can be a responsible and useful financial strategy, but loan flipping is when a lender persuades a borrower to repeatedly refinance a loan, often within a short time frame, charging high points and fees each time.</td>
</tr>
<tr>
<td></td>
<td>• This will cost you money and postpones the loan principal from being reduced.</td>
</tr>
<tr>
<td>Bi-weekly loan payments</td>
<td>• Some predatory lenders may charge you up to $1,000 for the “privilege” of paying your loan biweekly.</td>
</tr>
<tr>
<td></td>
<td>• Although this can decrease the total interest you pay over the life of the loan and the time it takes to pay in full, such accounts can often be set up for free or for a one-time fee of a few hundred dollars.</td>
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Predatory Lending Warning Signs (continued)

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<td>Required (or requested) deed signing</td>
<td>• If you are behind on your mortgage payments, a predatory lender may offer to help find new financing and ask you to deed your property over to the lender as a temporary measure to prevent foreclosure. But then the promised loan never comes, and the lender who made you the offer owns your home.</td>
</tr>
</tbody>
</table>
| Advertisements promising “No Credit? No Problem!”                           | • These are often warning signs of scams. Consumers responding to such ads are guided through a phony application process and may even receive fake loan approval documents.  
• To receive the approved loan, they are told to pay money up-front for fees or services. Instead they lose their money—and in some cases, their homes. |
| Promises to refinance the loan to a better rate in the future                | • No one can make you that promise. Instead, ask the lender if there is anything you can do to get a better rate now.                            |

Tip!

Balloon payments are large, lump-sum payments due at the end of the term. Before you agree to a balloon loan, make sure you fully understand and are prepared to pay the loan balance when it’s due.
## Predatory Lending Warning Signs Activity (Instructor Copy) (continued)

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<tr>
<td>Required (or requested) deed signing</td>
</tr>
<tr>
<td>Advertisements promising “No Credit? No Problem!”</td>
</tr>
<tr>
<td>Promises to refinance the loan to a better rate in the future</td>
</tr>
</tbody>
</table>
Instructor note:
At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.

Recommended Article: Protect Your Money and Identity

Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.
Get Preapproved Activity (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Instruct your participants to follow along with the worksheet and fill in the correct terms as you discuss the key points. Then, ask your participants to come up three or four benefits of being pre-approved. Then walk through the list below.

**Instructions:**
Have your participants fill in the blanks as they listen to the discussion.

- Before you apply for a loan, a lender can **“prequalify”** you. This means they estimate how much **financing** you could receive.

- After you’ve filled out a **loan application** and the lender has analyzed your credit more thoroughly, they can provide you with a **“preapproval”** — a written letter confirming the **price of home** you can purchase.

- Getting preapproved lets you and others see, in writing that you **qualify** for a **specific home loan amount**.

- With your preapproval in hand, you’re ready to look for your new home. The lender will consider **final approval** of the loan later on in the process, after you’ve found the home you want to buy.

**Instructions:**
Have your participants list three or four benefits of being preapproved.

- Being preapproved:
  - Helps you narrow your search to properties in your price range.
  - Gives you confidence that you can secure a home loan for a specific amount.
  - Reassures home sellers that your offer is serious because your financing is already in place; and
  - Helps speed the process of getting a mortgage loan once you’ve found a home to purchase.

**Tip!**
Although you can get preapproved before or after you have found a home to buy, most buyers find that they have increased negotiating power if they’re already preapproved when they begin their home search.
Get Preapproved Activity

Instructions:
Fill in the blanks as you listen to the discussion.

• Before you apply for a loan, a lender can _______________ you. This means they estimate how much _______________ you could receive.

• __________ you’ve filled out a _______________ and the lender has analyzed your credit more thoroughly, they can provide you with a _______________—a written letter confirming the _______________ you can purchase.

• Getting preapproved lets you and others see, in writing that you _______________ for a _______________.

• With your preapproval in hand, you’re ready to look for your new home. The lender will consider _______________ of the loan later on in the process, after you’ve found the home you want to buy.

Instructions:
List three or four benefits of being preapproved.

Although you can get preapproved before or after you have found a home to buy, most buyers find that they have increased negotiating power if they’re already preapproved when they begin their home search.
Lesson Summary

Instructor note:
Summarize this lesson by reviewing these key points with your participants.

Key points from the Before You Shop lesson:
- There are some important steps you need to take before you go house shopping: make a game plan, evaluate how much you can pay, choose a lender, and get preapproved for a loan.
- The process of homebuying is made much easier if you shop for a mortgage first, and then shop for a house.
- Consider taking a class for first-time homebuyers. Many lenders, realtors, and homebuilders sponsor them.
Lesson 3: The Homebuying Process

In this lesson, participants will learn the steps of the homebuying process and how to work with a real estate agent to buy the home they want.

Learning Objectives

After completing this lesson, participants will be able to:

- Confidently select a real estate agent.
- List the next steps in the home buying process, such as making an offer and negotiating.
- Explain how you can work together with a real estate agent to buy the home you want.

Start the Discussion

To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- Do you know any real estate agents? Have you ever talked to them about the process?
- What's important to you when selecting an agent?
- What steps do you think you need to take before buying a home?
- What do you think could be a challenge in the homebuying process? How can you prepare for these challenges in advance?

The Basics

- There are lots of steps involved in buying a home. But understanding the basics of the homebuying process can make it go smoothly.
- A good real estate agent can help you define what you want in a home, search for homes in neighborhoods that meet your needs, and provide you with data on recent home sales in the area.
- Before you begin house shopping, there are several steps we suggest you take: attend a class for first-time homebuyers, evaluate what you're looking for and how much you can pay, and get preapproved for a loan.
Select a Real Estate Agent Activity (Instructor Copy)

Instructor note:
Photocopy the activity handout on the following page. Divide the class up into groups. Instruct them to come up with three or four benefits of having a real estate agent, three or four ideas how to find a real estate agent and three or four things they should do after they find an agent. When they are finished, use the key points below to frame the discussion.

Instructions:
Have your participants list some benefits of having a real estate agent, ways to find a real estate agent, and some things they should do once they’ve found some real estate agent candidates.

A real estate agent can:
- Help you define what you want in a home, search for homes in neighborhoods that meet your needs, and provide you with data on recent home sales in the area.
- Answer questions about properties that interest you, for example, tax rates and building code regulations.
- Formulate an offer and act as an intermediary between you and the seller, smoothing the negotiating process, when you find a home you want, your agent can help you.

How to find an agent:
- Look for agent names on For Sale signs in neighborhoods that interest you.
- Ask your mortgage lender for suggestions.
- Visit the Web sites of local realty companies.
- Ask family, friends, or neighbors for referrals.

After you’ve found some candidates:
- Interview at least 2–3 agents.
- Tell them what you’re interested in.
- Find out if they have experience in the area where you hope to buy.
- Ask if they can provide additional information about a property or neighborhood, then see how well and how quickly they respond to your request.
Select a Real Estate Agent Activity

Instructions:
List some important points and benefits of having a real estate agent, list ways to find a real estate agent, and list some things you should do once you’ve found some real estate agent candidates.

What's important to you in looking for an agent?

List the benefits of having a real estate agent.

How can you find a real estate agent?

After you’ve found some real estate agent candidates, you should:
What Are Your Next Steps? Quiz (Instructor Copy)

Instructor note:
Photocopy the activity handout on the following page. Instruct your participant to put the steps of the home buying process in the correct order. Then, lead a discussion emphasizing the importance of this order using the Next Step activity handout that follows the Quiz page.

Instructions:
Have your participants put the steps of the home buying process in the correct order.

1. Make an offer
2. Negotiate
3. Go into contract
4. Have a home inspection
5. Get an appraisal
6. Receive loan approval
7. Finalize the sale
What Are Your Next Steps? Quiz

Instructions:
Put the steps of the home buying process in the correct order.

___________ Finalize the sale
___________ Get an appraisal
___________ Go into contract
___________ Have a home inspection
___________ Make an offer
___________ Negotiate
___________ Receive loan approval
Your Next Steps in the Homebuying Process (Instructor Copy)

**Instructor note:**
Photocopy the handout on the following page. Lead a discussion about the homebuying process.

### Next Steps in the Homebuying Process

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1. **Make an offer** | • The asking price and selling price of homes are often different.  
• Your real estate agent will help you develop the offer and present it to the seller.  
• You will propose a purchase price, the time frame in which you’d like to take ownership, the amount of your down payment and any conditions that must be met prior to sale (such as required repairs).  
• You will be required to make a partial down payment deposit often called an “earnest money” deposit to show your offer is a serious one. Your agent will be able to advise you on how much of a deposit you may need to make. |
| 2. **Negotiate** | • Sometimes an offer is accepted immediately. You may need to negotiate.  
• Your real estate agent is a go-between with the seller’s agent during negotiations. |
| 3. **Go into contract** | • After the offer is accepted, you reach a sales agreement.  
• This means that both you and the seller have defined the price and terms for the sale and a sales contract is drawn up.  
• Once you and the seller sign it, the contract is a legally binding document.  
• This process is referred to as “going into contract.”  
• Have a trusted professional review the terms and conditions of the sales agreement before you sign.  
• Ask questions if you don’t understand. Never sign a blank or incomplete contract. |
| 4. **Have a home inspection** | • Arrange for a home inspection to identify any repairs the home may need.  
• You’ll want to know as much as possible about the condition of the house. Major repairs can become a negotiating point with the seller.  
• Your real estate agent can provide a list of professional home inspectors who can offer you their opinion.  
• Your agent can also advise you about arranging any special inspections that may be needed for things like termites, lead paint, or soil contamination. Make sure your new home will be healthy and safe for your family.  
• Some sales agreements specify that the offer is “subject to inspection”—the buyer can back out of the deal if the inspection results are not to their satisfaction. |
Your Next Steps in the Homebuying Process (Instructor Copy) (continued)

<table>
<thead>
<tr>
<th>Step</th>
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</thead>
<tbody>
<tr>
<td>5. Get an appraisal</td>
<td>• Your lender will have the home appraised to determine its fair market value. This is to confirm that the home is worth as much (or more) than your loan amount.</td>
</tr>
<tr>
<td>6. Receive loan approval</td>
<td>• You receive official notification from your lender that your home loan has been approved, including a confirmation of the amount.</td>
</tr>
</tbody>
</table>
| 7. Finalize the sale | • Finalizing the sale, also known as closing, is the last step in your home purchase.  
  • At closing, ownership of the property is transferred from the seller to you. You’ll meet formally with a closing agent, a professional who prepares the official documents related to the sale.  
  • Depending on where you live, this individual is usually an attorney or title agency representative. Your real estate agent and the seller’s agent may also attend.  
  • When you’re ready to schedule your closing date, all parties will be contacted to arrange for it to take place at a convenient time and location.  
  • The closing procedure and associated fees vary depending on purchase location.  
  • You will be notified of the exact amount you need in order to close and any additional documents you may need to bring. |
## Your Next Steps in the Homebuying Process

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Your Next Steps in the Homebuying Process (continued)

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• The closing procedure and associated fees vary depending on purchase location.  
• You will be notified of the exact amount you need in order to close and any additional documents you may need to bring. |
Lesson Summary

_Instructor note:_
_Summarize this lesson by reviewing these key points with your participants._

Key points from the Homebuying Process lesson:

- There are lots of steps involved in buying a home. But understanding the basics of the home-buying process can make it go smoothly.

- A good real estate agent can help you define what you want in a home, search for homes in neighborhoods that meet your needs, and provide you with data on recent home sales in the area.

- Before you begin house shopping, there are several steps we suggest you take: attend a class for first-time homebuyers, evaluate what you're looking for and how much you can pay, and get preapproved for a loan.
Instructor note:
At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.

Recommended Article: Home Shopping Tips

Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.
Lesson 4: Getting a Mortgage

In this lesson, participants will learn the basic vocabulary of home loans, how to apply and what happens after they do. Participants will also learn how loan decisions are made and what to do if the lender says no.

Learning Objectives
After completing this lesson, participants will be able to:

• Define basic home loan vocabulary terms.
• Understand how to apply for a home loan.
• Describe the process after the application is received.
• Describe how lending decisions are made.
• List some reasons why a lender may say “no.”

Start the Discussion
To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

• What home loan words and phrases do you not understand?
• What types of emotions or feelings do you have when you think about home loans and mortgages?
• What things do you think are most important to lenders as they review a home loan application?

The Basics

• Buying a home is probably one of the biggest investments you’ll ever make.
• Because houses have such a high price tag, almost everyone borrows some, if not most, of the money they need to buy one.
• There are many terms associated with home loans, including “mortgage,” “loan to value,” “APY,” etc.
• Lenders look at the “Five C’s” to make a decision about your home loan application.
• Don’t take it personally if a lender declines your home loan. This provides you an opportunity to review and strengthen your credit worthiness.
**Topic 6 — Buying a Home**

**Home Loan Vocabulary Activity (Instructor Copy)**

**Instructor note:**
Photocopy the activity handout on the following page. Instruct participants to match the homebuying term with its correct definition. Then use the Home Loan Vocabulary handout that follows this activity to lead discussion.

**Instructions:**
Have your participants draw a line from the homebuying term to its correct definition.

- **Mortgage**
  - The process by which a lender decides whether to lend money.

- **Interest rate**
  - A professional estimate of a property's market value at a certain point in time.

- **Term**
  - A loan to help you purchase a home.

- **Appraisal**
  - A period of time over which a loan is scheduled to be repaid.

- **Closing**
  - The amount of a loan in relation to the value of the property.

- **Underwriting**
  - The amount of interest paid per year divided by the principal amount (that is, the amount loaned).

- **Loan to value (LTV)**
  - The day and time when all final mortgage documents are signed and all necessary payments are transferred to complete the purchase of a house.
**Home Loan Vocabulary Activity**

**Instructions:**
Draw a line from the homebuying term to its correct definition.

<table>
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Instructor note:
Photocopy the activity handout on the following page and lead a discussion with your participants about these home loan terms after they have completed the Quiz on the previous page.

Being familiar with these terms will help you understand the home loan process.

# Home Loan Vocabulary

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
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| Mortgage              | • A mortgage is a loan to help you purchase a home. In return for lending you the money to purchase the home, you promise the lender to pay back the funds over a certain time period at a certain cost.  
  • Each mortgage payment you make includes principal and interest. Principal means the amount you borrow based on the sale price of the home. Interest is the cost of borrowing money—the amount the lender is charging you for the loan. Some mortgage payments also include property taxes and insurance.  
  • A mortgage loan is secured by the real estate being purchased. This means that the property backs up your promise to repay. Should you default, or stop repaying the loan, the lender could foreclose.  
  • Many banks offer home loans, and some lenders specialize in mortgage lending.  
  • Lenders must provide borrowers with a document that lists all of the estimated costs associated with getting the mortgage loan. This is called a Good Faith Estimate. Check with a mortgage financing expert for details about financing options. |
| Interest rate         | • The amount of interest paid per year divided by the principal amount (that is, the amount loaned).  
  • For example, if you paid $5,000 in interest per year for a loan of $100,000, the interest rate is 5,000 divided by 100,000, or five percent (5%).  
  • A fixed-rate mortgage is a loan with an interest rate that remains the same over the life of the loan.  
  • An adjustable-rate mortgage (ARM) is a loan where the interest rate is recalculated on pre-determined dates. Exactly how these adjustments are calculated and when they are made is specified in the loan documents. |
| Term                  | A period of time over which a loan is scheduled to be repaid. For example, a home mortgage may have a 30-year term, meaning it must be repaid within 30 years.                                                                 |
| Loan to value (LTV)   | • The amount of a loan in relation to the value of the property. For example: an $80,000 loan on a property worth $100,000 would be 80% LTV. If there is more than one loan, this is called the “combined” loan to value. |
| Appraisal             | • A professional estimate of a property’s market value at a certain point in time. (The market value is the price a property will realistically sell for based on recent selling prices of similar properties in the same area.) |
| Closing               | • The day and time when all final mortgage documents are signed and all necessary payments are transferred to complete the purchase of a house. Also known as the settlement date. |
| Underwriting          | • The process by which a lender decides whether to lend money based on: the value of the property, the borrower’s creditworthiness and ability to pay, and the lender’s lending guidelines and practices. |
Home Loan Vocabulary

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Steps in the Lending Process Activity (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Instruct participants to place the steps in the correct order. When they are finished, lead a discussion about each step.

**Instructions:**
Have your participants place each step of the lending process in the correct order.

1. **Complete the application**
   Your lender will assist you to fill out a loan application.

2. **Get preapproved**
   After reviewing your completed loan application, the lender can give you a preapproval letter, a written letter that confirms the price of home you can purchase.

3. **Processing**
   Your home mortgage specialist collects the necessary financial documents to process your loan. The property is appraised to determine its fair market value.

4. **Receiving approval**
   The lender will review your application and financial information to make their lending decision. If your application is declined, they may recommend steps you can take in order to obtain financing.

5. **Pre-closing**
   In this phase, sometimes referred to as “loan settlement,” your home mortgage consultant will work with you to secure any required title insurance and real estate documents to protect against other parties claiming ownership of the property.

6. **Closing**
   The day and time when all final mortgage documents are signed and all necessary payments are transferred to complete the purchase of a house. Also known as the settlement date.

7. **Loan Servicing**
   The steps taken to maintain a loan from the time it’s closed until it’s paid off, for example billing the borrower, collecting payments, and making contract changes. It’s not uncommon to have loan servicing transferred between many companies during the life of a loan.

---

**Tip!**
Title insurance is a policy protecting a homebuyer and/or lender against loss due to an error or dispute related to the title, the document that proves property ownership.
Steps in the Lending Process Activity

Instructions:
Place each step of the lending process in the correct order by writing a number in the space provided. After the activity, use the space under each step to take notes or write questions.

___________  Closing

___________  Complete the application

___________  Get preapproved

___________  Loan Servicing

___________  Pre-closing

___________  Processing

___________  Receiving approval
Complete the Loan Application (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following pages, then lead a discussion about the sample loan application.

### Residential Loan Application

<table>
<thead>
<tr>
<th><strong>BORROWER INFORMATION</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower's Name</td>
<td>Co-Borrower's Name</td>
</tr>
<tr>
<td>Social Security Number</td>
<td>Social Security Number</td>
</tr>
<tr>
<td>Dependents</td>
<td>Dependents</td>
</tr>
<tr>
<td>Present Address</td>
<td>Present Address</td>
</tr>
<tr>
<td>(street, city, state, ZIP)</td>
<td>(street, city, state, ZIP)</td>
</tr>
</tbody>
</table>

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<td>Name &amp; Address of Employer</td>
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</tr>
<tr>
<td>Business Phone</td>
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</table>

<table>
<thead>
<tr>
<th><strong>MONTHLY INCOME</strong></th>
<th><strong>ASSETS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Monthly Income</td>
<td>Borrower</td>
</tr>
<tr>
<td>Name and address of Bank, S&amp;L, or Credit Union</td>
<td>stocks and bonds</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>DEBTs AND OBLIGATIONS</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditor names and outstanding balances</td>
<td></td>
</tr>
<tr>
<td>Real estate owned</td>
<td>retirement plans</td>
</tr>
<tr>
<td>Alimony</td>
<td>loans or debts</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>CREDIT REFERENCES</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td></td>
</tr>
<tr>
<td>Alterations, improvements, repairs</td>
<td></td>
</tr>
</tbody>
</table>
Complete the Loan Application (Instructor Copy) (continued)

A. **Personal Data**
   - Full names, home address(es) for the previous two years, and Social Security numbers of all borrowers. Employment information for the previous two years including employer name, address, and phone number.

B. **Income**
   - The amount and source(s) of ongoing income (usually excluding alimony and child support) for all borrowers.

C. **Assets**
   - Information on all assets you’ll be using to qualify for the loan (checking and savings accounts, stocks and bonds, retirement plans, and other real estate owned) including bank name, account type, and balance. You’ll also be asked to provide the source of down payment funds.

D. **Debts and Obligations**
   - Information on all outstanding debts and financial obligations. Creditor names and outstanding balances for all loans and notes payable; alimony; child support; and other liabilities. Real estate owned including property address, market value, outstanding liens, rental income, mortgage payments, taxes, insurance and maintenance dues.

E. **Credit References**
   - Information concerning loans or debts that have been paid, plus any other references to good credit use.

F. **Property Information**
   - Specifics on the property you wish to buy, if you’ve chosen one.

**Tip!**
In some cases, you may need to provide additional documents to verify your income and available cash, or request credit bureaus to correct items in your credit report that you believe are inaccurate.
Complete the Loan Application

Residential Loan Application

<table>
<thead>
<tr>
<th>A</th>
<th>BORROWER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Borrower’s Name</td>
</tr>
<tr>
<td></td>
<td>Co-Borrower’s Name</td>
</tr>
<tr>
<td></td>
<td>Social Security Number</td>
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<tr>
<td></td>
<td>Social Security Number</td>
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<tr>
<td></td>
<td>Dependents</td>
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<tr>
<td></td>
<td>Dependents</td>
</tr>
<tr>
<td></td>
<td>Present Address (street, city, state, ZIP)</td>
</tr>
<tr>
<td></td>
<td>Present Address (street, city, state, ZIP)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B</th>
<th>EMPLOYMENT INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Name &amp; Address of Employer</td>
</tr>
<tr>
<td></td>
<td>Name &amp; Address of Employer</td>
</tr>
<tr>
<td></td>
<td>Business Phone (incl. area code)</td>
</tr>
<tr>
<td></td>
<td>Business Phone (incl. area code)</td>
</tr>
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<table>
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Complete the Loan Application (continued)

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<td><strong>B. Income</strong></td>
<td>The amount and source(s) of ongoing income (usually excluding alimony and child support) for all borrowers.</td>
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<tr>
<td><strong>C. Assets</strong></td>
<td>Information on all assets you’ll be using to qualify for the loan (checking and savings accounts, stocks and bonds, retirement plans, and other real estate owned) including bank name, account type, and balance. You’ll also be asked to provide the source of down payment funds.</td>
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<td><strong>F. Property Information</strong></td>
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**Tip!**

In some cases, you may need to provide additional documents to verify your income and available cash, or request credit bureaus to correct items in your credit report that you believe are inaccurate.
**Instructor note:**
Photocopy the activity handout on the following page. Instruct your participants to match each of the 5 C’s with its correct description. After they are finished, walk through each “C.”

How do lenders decide whether or not to loan you money? The 5 C’s of course—character, capacity, capital, collateral and conditions. Some lenders develop their own loan decision “scorecards” using aspects of the 5 C’s and other factors.

**Instructions:**
Have your participants read the descriptions in the right hand column of the table. Then instruct them to write in the right “C” for each description—character, capacity, capital, collateral or conditions.

<table>
<thead>
<tr>
<th>Which “C?”</th>
<th>Description</th>
</tr>
</thead>
</table>
| **Character** | • When lenders evaluate this “C,” they look at stability—for example, how long you’ve lived at your current address, how long you’ve been in your current job, and whether you have a good record of paying your bills on time and in full.  
  • If you want a loan for your business, the lender may consider your experience and track record in your business and industry to evaluate how trustworthy you are to repay. |
| **Capacity** | • Your other debts and expenses could impact your ability to repay the loan.  
  • Creditors therefore evaluate your debt-to-income ratio, that is, how much you owe compared to how much you earn.  
  • The lower your ratio, the more confident creditors will be in your ability to repay the money you borrow. |
| **Capital** | • This term refers to your net worth—the value of your assets minus your liabilities.  
  • In simple terms, how much you own (for example, car, real estate, cash, and investments) minus how much you owe. |
| **Collateral** | • This term refers to any asset of a borrower (for example, a home) that a lender has a right to take ownership of and use to pay the debt if the borrower is unable to make the loan payments as agreed.  
  • Some lenders may require a guarantee in addition to this.  
  • A guarantee means that another person signs a document promising to repay the loan if you can’t. |
| **Conditions** | • Lenders might consider a number of outside circumstances that may affect the borrower’s financial situation and ability to repay, for example what’s happening in the local economy.  
  • If the borrower is a business, the lender may evaluate the financial health of the borrower’s industry, their local market, and competition. |
The “Five Cs” of Credit Activity

How do lenders decide whether or not to loan you money? The 5 C’s of course—character, capacity, capital, collateral and conditions. Some lenders develop their own loan decision “scorecards” using aspects of the 5 C’s and other factors.

**Instructions:**
Read the descriptions in the right hand column of the table. Then, write in the right “C” for each description—character, capacity, capital, collateral or conditions.

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</tr>
<tr>
<td></td>
<td>If the borrower is a business, the lender may evaluate the financial health of the borrower’s industry, their local market, and competition.</td>
</tr>
</tbody>
</table>
Instructor note:
At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.

Recommended Article: About Credit Scores

Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.
If the Lender Says No Activity (Instructor Copy)

Instructor note:
Photocopy the activity handout on the following page. As a group, brainstorm some steps they can take to have the lender reconsider an application if it was rejected originally.

Instructions:
Have your participants look at the list of reasons why a loan may not be granted. Then in the space provided, instruct them to write a few sentences about the steps they can take to have the lender reconsider their application.

1. Irregular employment
   - Provide details about your employment history.
   - Lender is looking for stable/consistent employment history.

2. Not enough income to repay the loan
   - Find out if all sources of income were considered in evaluating your application.
   - Consider having a spouse co-sign so his or her income is included.
   - Find a reliable co-signer who is acceptable to the lender.

3. Poor credit history (slow repayment of other loans)
   - Obtain a copy of your credit report and review it to see if it is correct or if there are possible errors you need to correct.
   - Find out if the credit bureau made any errors in the information they provided the lender.
   - Talk to a credit counselor to see how you can improve your credit score.

4. Lack of credit history
   - No prior credit? Apply for a credit card with a low limit, make small purchases and pay on time.
   - Find out if factors such as payment of rent or utility bills could be considered.

5. Too short a time at residence
   - Provide more details on where your prior residence(s) and length of time at each place.

6. Insufficient down payment
   - Offer to make a larger down payment if possible.
   - Pay off some of your existing debt.

Tip!
If a lender turns you down, don't take it personally.
If the Lender Says No Activity

Instructions:
Look at the list of reasons why a loan may not be granted. Then in the space provided, write a few sentences about the steps you can take to have the lender reconsider your application.

1. Irregular employment
   Example: Provide more details about your work history.

2. Not enough income to repay the loan
   Example: Consider having someone cosign the loan.

3. Poor credit history (slow repayment of other loans)
   Example: Talk to a credit counselor.

4. Lack of credit history
   Example: Apply for a credit card with a low limit.

5. Too short a time at residence
   Example: Provide more details about your residence history.

6. Insufficient down payment
   Example: Keep saving!

Tip!
If a lender turns you down, don’t take it personally.
Lesson Summary

Instructor note:
Summarize this lesson by reviewing these key points with your participants.

Key points from the Getting a Mortgage lesson:

- Buying a home is probably one of the biggest investments you’ll ever make.
- Because houses have such a high price tag, almost everyone borrows some, if not most, of the money they need to buy one.
- There are many terms associated with home loans, including “mortgage,” “loan to value,” “APY,” etc.
- Lenders look at the “Five C’s” to make a decision about your home loan application.
- Don’t take it personally if a lender declines your home loan. This provides you an opportunity to review and strengthen your credit worthiness.
Lesson 5: Borrowing Against Your Equity

In this lesson, participants will learn about home equity loans and lines of credit and how they offer financial flexibility if used carefully.

Learning Objectives
After completing this lesson, participants will be able to:

- Define home equity.
- Compare and contrast two different ways of borrowing against the equity in their home.

Start the Discussion
To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

- What do you think the difference is between a home equity loan and a line of credit?
- Which one do you think is more advantageous in your situation? Why?

The Basics

- Equity is the difference between how much your house is worth and how much you still owe for it. This means you may be able to borrow money using your home as security.
- Owning a home is an investment because homes generally increase, or appreciate, in value.
- As the years go by and you pay your mortgage down, you may have more and more home equity.
- If you do borrow against your home's equity, be sure to make your loan payments on time and in full. Otherwise, you may risk losing your home.
## Home Equity Loans & Lines (Instructor Copy)

**Instructor note:**
Photocopy the activity handouts on the following two pages. Divide the class into two groups and distribute the activity handout. One group will provide information for the home equity loan column and the other group will provide information for the home equity line of credit column. Then use the key points in the table below to compare and contrast the two.

<table>
<thead>
<tr>
<th>Home equity loan (Second mortgage)</th>
<th>Home equity line of credit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Provides a lump sum of money</strong></td>
<td><strong>Provides revolving credit</strong></td>
</tr>
<tr>
<td>• Your lender will provide a lump sum.</td>
<td>• A type of credit that allows an individual to borrow up to a certain amount of money, repay the money borrowed with interest when it is due, and then borrow the money again.</td>
</tr>
<tr>
<td><strong>Uses your home as security</strong></td>
<td><strong>Uses your home as security</strong></td>
</tr>
<tr>
<td>• Your home guarantees the loan.</td>
<td>• Your home guarantees the loan.</td>
</tr>
<tr>
<td><strong>Must pay back by certain date</strong></td>
<td><strong>Repayment options may vary</strong></td>
</tr>
<tr>
<td>• Your lender will specify a due date.</td>
<td>• Your lender will explain your repayment options.</td>
</tr>
<tr>
<td><strong>Often used for a project</strong></td>
<td><strong>Various uses</strong></td>
</tr>
<tr>
<td>• Home equity loans are often used for one specific purpose, for example, remodeling the house.</td>
<td>• Homeowners use their home equity lines of credit for a wide variety of purposes ranging from home improvements to college education.</td>
</tr>
<tr>
<td><strong>Higher interest than first</strong></td>
<td><strong>Interest rates vary</strong></td>
</tr>
<tr>
<td>• The interest rate on a second mortgage is usually higher than on a first mortgage.</td>
<td>• Different financial institutions may offer different rates. Shop around.</td>
</tr>
<tr>
<td>• Different financial institutions may offer different rates. Shop around.</td>
<td>• Some lines of credit have fixed interest rates; others have variable rates.</td>
</tr>
<tr>
<td><strong>Tax deductible interest</strong></td>
<td><strong>Tax deductible interest</strong></td>
</tr>
<tr>
<td>• Because these debts are secured by your home, part of the interest you’ll pay is often tax deductible, regardless of how you spend the money.</td>
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</tr>
<tr>
<td>• Check with your tax advisor.</td>
<td>• Check with your tax advisor.</td>
</tr>
</tbody>
</table>
## Home Equity Loans & Lines

### Instructions:
Answer each question as it pertains to home equity loans and equity lines of credit

<table>
<thead>
<tr>
<th>Home equity loan (Second mortgage)</th>
<th>Home equity line of credit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>How do you get the money?</strong></td>
<td><strong>How do you get the money?</strong></td>
</tr>
<tr>
<td>Tip: Will you get it in one lump sum or a certain amount that you need right now?</td>
<td>Tip: Will you get the money in one lump sum?</td>
</tr>
<tr>
<td><strong>What guarantees the loan?</strong></td>
<td><strong>What guarantees the loan?</strong></td>
</tr>
<tr>
<td>Tip: What is collateral for the loan?</td>
<td>Tip: What is collateral for the loan?</td>
</tr>
<tr>
<td><strong>How do you repay?</strong></td>
<td><strong>How do you repay?</strong></td>
</tr>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>What is it used for primarily?</strong></td>
<td><strong>What is it used for primarily?</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>What’s the deal with interest rates?</strong></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>What about interest and taxes?</strong></td>
<td><strong>What about interest and taxes?</strong></td>
</tr>
</tbody>
</table>
Lesson Summary

Instructor note:
Summarize this lesson by reviewing these key points with your participants.

Key points from the Borrowing Against Your Equity lesson:

- Equity is the difference between how much your house is worth and how much you still owe for it. This means you may be able to borrow money using your home as security.
- Owning a home is an investment because homes generally increase, or appreciate, in value.
- As the years go by and you pay your mortgage down, you may have more and more home equity.
- If you do borrow against your home’s equity, be sure to make your loan payments on time and in full. Otherwise, you may risk losing your home.
Lesson 6: Protect Your Home Investment

In this lesson, participants will learn how maintaining their home can save them money in the long run. They will discover how to protect their home investment if they experience financial difficulties or a life-changing event.

Learning Objectives
After completing this lesson, participants will be able to:

• Explain how maintaining your home can help save you money in the future.
• List steps to protect their home investment if they experience financial difficulties or a sudden life-changing.

Start the Discussion
To start a discussion with your participants, ask some open-ended questions. Here are some examples you could use:

• What are some important steps you need to take to maintain your home?
• What issues could happen to cause some one to lose their home or experience foreclosure?
• What actions do you think a homeowner could take to avoid foreclosure?

The Basics

• Once you’re a homeowner, you need to protect your investment by managing your finances effectively, maintaining your home in good condition, and being prepared to handle unexpected expenses.
• If you find that you are experiencing difficulties paying your mortgage, work directly with your lender to discuss options. It is important to contact them immediately if you foresee future payment issues.
Take Charge of Your Home Investment Activity (Instructor Copy)

**Instructor note:**
Photocopy the activity handout on the following page. Instruct your participants to fill in the blanks while you lead the discussion.

**Instructions:**
Have your participants fill in the blanks as they listen to the discussion about tips to protect their home investment.

### Pay your mortgage!
- Be sure to make your payments **on time**. If you don't make your payments, you could damage your **credit rating** or lose your home.
- **Automatic** mortgage payment programs ensure that your mortgage is paid on time.
- Some plans allow you to pay off your loan more quickly so you pay less interest and accumulate **equity** faster. Ask your lender about the payment options they offer.

### Manage your money
- Establish a **monthly schedule** for paying your bills; consider using an automatic bill pay service.
- Stick to your **spending plan** so you don't overspend.
- Keep careful **financial records** so you know where you stand.

### Postpone new debt
- Avoid opening new **credit accounts**.
- Before you make any other **major purchases** and take on additional debt, be sure you handle your new monthly housing expenses, including your new mortgage, utilities and other home-related expenses.

### Keep on saving
- Set aside money for planned and unexpected expenses.
- Try to have enough savings available for **six months** of mortgage payments should you need it.

### Maintain your property
- Maintain your home inside and out.
- Regular maintenance may help you avoid **expensive repairs**.
- Maintenance may also reduce **energy costs** and keeps up the **value** of your most important investment, your home.

### Have adequate insurance
- Make sure you have adequate coverage in all areas, including **homeowners’ insurance**.

### Use home equity carefully
- Take advantage of borrowing against your **home equity** if you need to, but manage it carefully. Always pay on time.
## Take Charge of Your Home Investment Activity

### Instructions:
Fill in the blanks as you listen to the discussion about tips to protect your home investment.

<table>
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<tr>
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<td>• Keep careful ________________ so you know where you stand.</td>
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</tr>
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<tbody>
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<td>• Avoid opening new ________________.</td>
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</tr>
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</tr>
<tr>
<td>• Try to have enough savings available for ________________ of mortgage payments should you need it.</td>
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<table>
<thead>
<tr>
<th>Maintain your property</th>
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<tbody>
<tr>
<td>• Maintain your home inside and out.</td>
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</tr>
<tr>
<td>• Regular maintenance may help you avoid ________________.</td>
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<tr>
<td>• Maintenance may also reduce ________________ and keeps up the ____________ of your most important investment, your home.</td>
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<tr>
<th>Have adequate insurance</th>
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<tr>
<td>• Make sure you have adequate coverage in all areas, including ________________.</td>
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<tr>
<th>Use home equity carefully</th>
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<tbody>
<tr>
<td>• Take advantage of borrowing against your ________________ if you need to, but manage it carefully. Always pay on time.</td>
<td></td>
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</table>
Instructor note:
At this point in the class, consider using this recommended library article listed below as a discussion resource or a takeaway for your participants. You can find this and other library articles at the end of this topic.

Recommended Article: Protect Your Investment

Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.
What If You Can't Make Your Mortgage Payment?

**Instructor note:**
Start a discussion by asking questions such as:

- “Why is it important to make your mortgage payments on time?”
- “What happens if you cannot make your mortgage payments on time?”
- “If you know you’re going to fall behind on your mortgage payment, what steps should you take?”

Continue the discussion by focusing on the key points below and then transition into the Steps to Foreclosure handout on the following pages. Also consider inviting a mortgage banker or a credit counselor to present to your participants.

**Always make your mortgage payments on time**

- If you can’t, you need to call your lender immediately.
- Even the most reliable borrowers sometimes fail to meet every payment on its due date.
- An unexpected crisis (long illness, job loss, marriage break-up, etc.) can negatively impact your ability to pay.
- Don’t be intimidated or embarrassed to call your lender. It’s essential that you call them, because they want to help you and can only do so if you contact them. (Be sure to call the company to whom you currently send your loan payment, not the company who originated your mortgage.)

**The last resort generally for both the lender and the customer is foreclosure**

- This which will have a major negative impact on you and your credit.
- As the result of a foreclosure, the lender becomes the owner of your home and you must move out.
- The lender might also pursue you through the courts for money you still owe on your mortgage.
- Calling your lender as soon as you have trouble paying your mortgage is the best way to avoid this.

**Tip!**

If you have an unexpected crisis, take action right away. Lenders have more options when you call as soon as you realize there may be an issue. Contact your lender and a housing counseling agency and cooperate fully with them. Avoid companies that charge you a high fee upfront and claim they can help you avoid foreclosure. These could be scams!
Steps to Avoid Foreclosure (Instructor copy)

**Instructor note:**
Begin a group discussion by asking participants to come up with ways people can save their homes and avoid foreclosure if they get in financial trouble. Then, discuss the key points below.

<table>
<thead>
<tr>
<th>Contact your lender</th>
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<tbody>
<tr>
<td>• If you fall behind in your mortgage payments, don’t hide from the situation.</td>
</tr>
<tr>
<td>• Contact your lender right away. More options may be available to you sooner.</td>
</tr>
<tr>
<td>• If you work directly with your lender, they can develop appropriate solutions.</td>
</tr>
<tr>
<td>• A lender is motivated to help you stay in your home.</td>
</tr>
<tr>
<td>• Foreclosure can be a complex process in which lenders must strictly follow state and local laws, go through legal channels, take possession, often make repairs, market the home, and successfully sell it. Because of the extensive costs and effort involved, lenders usually consider foreclosures a “last resort.”</td>
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<table>
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<tr>
<th>Call a housing counselor</th>
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<tbody>
<tr>
<td>• The U.S. Department of Housing and Urban Development (HUD) provides a list of approved housing counselors on their Web site: <a href="http://www.hud.gov">www.hud.gov</a>.</td>
</tr>
<tr>
<td>• A HUD-approved housing counseling agency can help you assess your financial situation and recommend where you can cut costs, enabling you to pay the past due amount, if possible. The counselor can also help you negotiate with your lender.</td>
</tr>
<tr>
<td>• The Homeownership Preservation Foundation has a National Assistance Hotline—1-888-995-HOPE (888-995-4673)—that provides advice, assistance and support to help individuals and families who are struggling financially to stay in their homes. For additional information, visit <a href="http://www.hopenow.com">www.hopenow.com</a>.</td>
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<tr>
<th>Negotiate a workout</th>
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<tbody>
<tr>
<td>• If you cannot afford to pay the entire amount you owe on your loan, discuss a loan workout arrangement with your loan servicer.</td>
</tr>
<tr>
<td>• This means restructuring the loan in a way that enables you to repay.</td>
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<table>
<thead>
<tr>
<th>Explore options to stay in your home</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Talk to your lender about establishing a new repayment schedule.</td>
</tr>
<tr>
<td>• This is known as a loan modification, or restructuring of the loan. (If you have an FHA mortgage loan, this restructuring is known as “loan assignment.”)</td>
</tr>
<tr>
<td>• Loan modification is a change in one or more of the mortgage loan terms in order to make the monthly payment more affordable given the borrower’s present financial situation.</td>
</tr>
<tr>
<td>• These changes may be made on a temporary or permanent basis and could include changing the loan's interest rate, monthly payment amount, or time available to repay.</td>
</tr>
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<tr>
<th>Leaving your home</th>
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<tbody>
<tr>
<td>• If your financial circumstances dramatically change, you may not be able to find a way to afford your loan.</td>
</tr>
<tr>
<td>• You may find that the best option is not to keep your home.</td>
</tr>
<tr>
<td>• One option may be a short sale, or pre-foreclosure sale. A lender will typically want the home’s sale price to repay what you owe on the mortgage, but may accept a lesser amount. Don’t sell your home for less than what you owe without talking to your lender first.</td>
</tr>
<tr>
<td>• Another option may be a deed-in-lieu of foreclosure. This is when you give your property back to the lender.</td>
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<table>
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<tr>
<th>Research your bankruptcy options</th>
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<tbody>
<tr>
<td>• Bankruptcy is a legal process that involves seeking the help of the U.S. Federal Court to release or “discharge” some of your debts and get a fresh start financially.</td>
</tr>
<tr>
<td>• Bankruptcy is a serious matter that can have significant, long-lasting consequences. Bankruptcy law is complicated and changing. It’s essential to get professional counseling about your options.</td>
</tr>
</tbody>
</table>
# Topic 6 — Buying a Home

## Steps to Avoid Foreclosure

| Contact your lender | • If you fall behind in your mortgage payments, don’t hide from the situation.  
  • Contact your lender right away. More options may be available to you sooner.  
  • If you work directly with your lender, they can develop appropriate solutions.  
  • A lender is motivated to help you stay in your home.  
  • Foreclosure can be a complex process in which lenders must strictly follow state and local laws, go through legal channels, take possession, often make repairs, market the home, and successfully sell it. Because of the extensive costs and effort involved, lenders usually consider foreclosures a “last resort.” |
| Call a housing counselor | • The U.S. Department of Housing and Urban Development (HUD) provides a list of approved housing counselors on their Web site: [www.hud.gov](http://www.hud.gov).  
  • A HUD-approved housing counseling agency can help you assess your financial situation and recommend where you can cut costs, enabling you to pay the past due amount, if possible. The counselor can also help you negotiate with your lender.  
  • The Homeownership Preservation Foundation has a National Assistance Hotline—1-888-995-HOPE (888-995-4673)—that provides advice, assistance and support to help individuals and families who are struggling financially to stay in their homes. For additional information, visit [www.hopenow.com](http://www.hopenow.com). |
| Negotiate a workout | • If you cannot afford to pay the entire amount you owe on your loan, discuss a loan workout arrangement with your loan servicer.  
  • This means restructuring the loan in a way that enables you to repay. |
| Explore options to stay in your home | • Talk to your lender about establishing a new repayment schedule.  
  • This is known as a loan modification, or restructuring of the loan. (If you have an FHA mortgage loan, this restructuring is known as “loan assignment.”)  
  • Loan modification is a change in one or more of the mortgage loan terms in order to make the monthly payment more affordable given the borrower’s present financial situation.  
  • These changes may be made on a temporary or permanent basis and could include changing the loan’s interest rate, monthly payment amount, or time available to repay. |
| Leaving your home | • If your financial circumstances dramatically change, you may not be able to find a way to afford your loan.  
  • You may find that the best option is not to keep your home.  
  • One option may be a short sale, or pre-foreclosure sale. A lender will typically want the home’s sale price to repay what you owe on the mortgage, but may accept a lesser amount. Don’t sell your home for less than what you owe without talking to your lender first.  
  • Another option may be a deed-in-lieu of foreclosure. This is when you give your property back to the lender. |
| Research your bankruptcy options | • Bankruptcy is a legal process that involves seeking the help of the U.S. Federal Court to release or “discharge” some of your debts and get a fresh start financially.  
  • Bankruptcy is a serious matter that can have significant, long-lasting consequences. Bankruptcy law is complicated and changing. It’s essential to get professional counseling about your options. |
Lesson Summary

Instructor note:
Summarize this lesson by reviewing these key points with your participants.

Key points from the Protect Your Home Investment lesson:

- Once you’re a homeowner, you need to protect your investment by managing your finances effectively, maintaining your home in good condition, and being prepared to handle unexpected expenses.

- If you find that you are experiencing difficulties paying your mortgage, work directly with your lender to discuss options. It is important to contact them immediately if you foresee future payment issues.
Topic 6 — Buying a Home

Topic Summary

Instructor note:
Summarize this topic by reviewing these key points with your participants.

Key points from the Buying a Home Topic

- Before you start house shopping, consider whether homeownership is right for you at this time, and whether you're really ready to buy.
- If you decide you are ready, a good real estate agent can help you step-by-step through the homebuying process.
- Shop for your mortgage before you shop for a home so you know how much home you can buy.
- If you're turned down for financing, there are steps you can take to strengthen your financial picture.
- After you're a homeowner, if the value of your home goes up and you pay your mortgage loan down, you may qualify for a home equity loan or line of credit, giving you more financial flexibility.
- Protect the home you've worked so hard to get. Use your credit wisely, keep on saving, and be a smart money manager. Get adequate insurance and maintain your property inside and out.

Additional Activities

These activities are designed to extend the new concepts presented in the Buying a Home Topic. Use these or similar activities to give participants an opportunity to apply what they have just learned to real-life scenarios.

1. Collect some flyers from homes that are for sale while you're out and about. Go online and try out some mortgage calculators to see what your payment would be for these houses. Change the down payment amount and interest rate to see how the payment changes.
2. Talk with a real estate agent about your preliminary needs. Ask any questions you may have and discuss locations, pricing, the housing market, etc. Most real estate agents will love to talk to you as you can become a future client who refers more people!
3. Order your free copy of your credit report from www.annualcreditreport.com or one of the three agencies. Identify any errors or incorrect entry and immediately contact the lender and the credit agency to repair the error(s).
4. Go to as many open houses as you can. Talk to realtors about the houses, its features and what are average prices for that specific area.
5. If you are a homeowner, review your insurance plan to ensure it covers your home and contents.
6. Talk with your banker and get more information on equity loans, lines and options for you as a homeowner.
Appendix

Library Articles & Additional Topic Resources
Use these library articles as a discussion resource or a takeaway for your participants. Remember, the online Hands on Banking® program has dozens of additional library articles that you can use and distribute for this and other topics. Visit www.handsonbanking.org to browse all the available articles.
Calculating Your Homebuying Costs

How much mortgage can you afford?
Many people estimate that they can afford a mortgage of 2 or 2½ times their household income. For example, if a family’s household income is $40,000, they might be able to afford a mortgage of $80,000 to $100,000. Keep in mind that just because you may be able to borrow that amount, it doesn't mean you can afford or feel comfortable with the monthly payments required. You need to consider your particular circumstances and your future financial needs and goals.

Mortgage lenders usually require your housing expenses to be less than or equal to 25-28% of your monthly pretax income. So, for example, if your monthly pretax income is $3,500, your mortgage payment should be $980 or less.

Homebuying costs
The three major costs related to buying a home are the down payment, closing costs, and moving and settling-in costs. Here is more information about each:

- **Down payment**
  Lenders generally require borrowers to make at least a small down payment. The amount depends on the price of the home and type of mortgage you get. Down payment requirements vary, usually ranging from 3% to 20% of the home purchase price. The size of the down payment you’re able to make affects the amount of money you’ll need to borrow. The amount that you put down affects the loan decision, the size of your monthly mortgage payments, and the amount of cash that you have available for other homebuying costs.

- **Closing costs**
  Closing costs are fees that must be paid to complete the transfer of the property from the seller to the buyer. Closing costs also include the fees for the mortgage loan. Typical closing costs may include the origination fee, discount points, appraisal, credit report, title insurance, attorney’s fees, survey, and prepaid items such as tax and insurance escrow payments. Talk to a real estate professional to gain a more detailed understanding of these fees. Prepaid closing costs are any items that must be paid before the loan closing. All these payments must be made no later than the time of settlement. Closing costs can vary, but usually run from 2% to 7% of the mortgage loan amount.

- **Moving and settling-in costs**
  You may have costs associated with moving into your new home, even if you move yourself rather than hiring a professional moving company. The amount of your moving and settling-in costs will vary, depending on how far you are moving and how much repair work needs to be done. There are likely to be expenses such as new appliances and home improvements, like painting or replacing carpets. You may also need or want to purchase furniture for your new home.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at wellsfargo.com or any Wells Fargo store.
Protect Your Money and Identity

If criminals get your ATM, debit, or credit cards, or personal financial information such as account numbers, passwords, or Social Security number, they can drain your bank accounts or make charges to your credit cards. They may also commit a crime called identity theft by taking out loans and obtaining credits cards and even driver's licenses in your name.

There are 27 million victims of identity theft every year in the United States. Identity theft can seriously damage your credit and financial reputation, and it may take years to restore your good credit and name.

Don't let it happen to you! Here are tips to help you avoid financial fraud and safeguard your identity, bank accounts, and money:

About fraud and identity theft

• Identity fraud is usually limited to an isolated attempt to steal money from an existing account, such as a charge on a stolen credit card.

• With identity theft, a thief uses your personal information, such as your Social Security number or bank account number, to open accounts or initiate transactions your name. This may cause financial loss or damaged credit.

• If fraudulent transactions occur on your account, it does not automatically mean your identity was stolen. It may be an isolated incident of theft that can be quickly resolved. Contact your bank for more information.

Common ways ID theft happens

According to the Federal Trade Commission (FTC), skilled identity thieves use a variety of methods to steal your personal information, including:

1. Dumpster diving. They rummage through your trash looking for bills or other paper with your personal information on it.

2. Skimming. They steal credit/debit card numbers by using a special storage device when processing your card.

3. Phishing. They pretend to be financial institutions or companies and send spam or pop-up messages to get you to reveal your personal information.

4. Changing your address. They divert your billing statements to another location by completing a 'change of address' form.

5. "Old-fashioned" stealing. They steal wallets and purses; mail, including bank and credit card statements; pre-approved credit offers; and new checks or tax information. They steal personnel records from their employers, or bribe employees who have access.
Protect your money and identity (continued)

If you become a victim of identity theft:

• Contact your financial institution and credit card issuers immediately and alert them to the situation.
• Contact one of the three major credit bureaus and discuss whether you need to place a fraud alert on your file. This will help prevent thieves from opening a new account in your name.
• Here is the contact information for each bureau’s fraud division:
  º Equifax 800-525-6285
  º Experian 888-397-3742
  º TransUnion 800-680-7289
• Close any accounts that have been tampered with or established fraudulently.
• File a report with law enforcement officials to help you with creditors who may want proof of the crime.

General fraud prevention tips

• Carry only necessary information with you. Leave your Social Security card or unused credits cards at home in a safe and secure location.
• Protect your Social Security number. Don’t write your Social Security number on a check. Give it out only if absolutely necessary or ask to use another identifier.
• Limit paper statements.
• Shred account statements or documents containing personal or financial information before discarding.
• Review your credit report at least once a year, looking for suspicious or unknown transactions.
• Limit the credit offers you receive.
• Remove your name from marketing lists.
• Never click on links sent in unsolicited emails; instead, type in a Web address you know.
• Keep your personal information in a secure place at home.

Card safety: ATM, debit and credit cards

• Report lost or stolen cards immediately to the company that issued you the card.
• To help you respond quickly in case your cards or ID are lost or stolen, make a chart like this one. Be sure to store the list in a safe place. Never carry it with you.

<table>
<thead>
<tr>
<th>Credit card name</th>
<th>Financial institution</th>
<th>Account number</th>
<th>24-hour customer service #</th>
</tr>
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</table>
Card safety: ATM, debit and credit cards (continued)

- Sign your card on the signature panel as soon as you receive it.
- Protect your cards as if they were cash—never let them out of your possession or control.
- Do not include your card number in an email.
- Do not give out your card number over the phone unless you initiated the call.
- Be sure that you get your card back after every purchase.
- Don’t leave your credit cards in your car’s glove compartment. A high percentage of credit card thefts are from car glove compartments.
- Don’t lend your cards—credit, debit, or ATM—to anyone. You are responsible for their use. Don’t let your credit cards be used by others, even family and friends.
- Choose a PIN that is easy for you to remember but difficult for others to guess. Don’t use any numbers or words that appear in your wallet (name, birth date, phone number, etc).
- Never tell anyone your PIN. No one from a financial institution, the police, or a merchant should ask for your PIN. You are the only person who needs to know it.
- Don’t volunteer any personal information when you use your cards, other than by displaying personal identification as requested by a merchant.
- Never write down your personal identification number (PIN)—memorize it. Don’t write down your account number and PIN and carry it with you. If your wallet or purse is stolen, someone else could have access to your money.
- When typing in your pin, cover the keypad so others can’t see.
- When selecting a PIN, avoid picking a number that is easy for others to guess—for example, your name, telephone number, date of birth, or any simple combination of these.
- Always make sure that sales vouchers are for the correct purchase amount before you sign them.
- Always keep copies of your sales vouchers, credit card, and Automated Teller Machine (ATM) receipts.
- Always check your billing statement to make sure the purchase amounts are correct and to ensure there are no suspicious charges. Contact your service provider immediately if you see a charge you don’t recognize.
- Always put disputes regarding your billing statements in writing immediately upon becoming aware of the disputed item; otherwise, you may be held legally responsible for the entire amount of the disputed item. Many credit card issuers have specific instructions for notifying them of a billing error dispute. Read your credit card agreement and billing statements carefully for information regarding dispute notification requirements. You may also contact your credit card issuer to ask about their dispute notification requirements.
- Shred or destroy your ATM receipts before you throw them away.
- Keep your cards away from magnets; these can erase the information stored on your card.
- If you receive a replacement card, destroy your old card. Destroy cards for cancelled accounts.
- Shop with merchants you know and trust. Make sure internet purchases are secured with encryption to protect your account information. Look for “secure transaction” symbols.
Hands on Banking
Library Article: Protect Your Money and Identity

Protect your money and identity (continued)

ATM security tips

• Think about your personal safety when using an ATM. Because most ATMs give out cash and many accept deposits, it makes sense to be alert and aware of your surroundings no matter where or when you use an ATM. When you're by yourself, avoid using an ATM in out-of-the-way or deserted areas. Use ATMs located inside banks or supermarkets where other people are around. Use ATMs in well-lit, public areas.

• Be aware of your surroundings when withdrawing funds. If you notice anything out of the ordinary, come back later or use another ATM.

• If it looks like someone has tampered with the ATM equipment, don't use it. (This could mean that a criminal has attached a “skimmer” to the ATM to steal your financial information.) If a suspicious person offers to help you use the ATM, refuse and leave.

• When typing in your pin, cover the keypad so others can't see.

• After completing your transaction, remember to remove your card, cash and any printed documents such as receipts or statements.

• Put your money and ATM card away before you leave the ATM. Always avoid showing your cash. Always verify that the amount you withdrew or deposited matches the amount printed on your receipt.

• Take your receipts with you so potential criminals will not know how much you withdrew or how much money is in your account.

• When using a drive-up ATM, keep your car doors locked and your engine running.

Mail precautions

• If you stop receiving mail, call the post office immediately.

• Notify the post office immediately if you change your address.

• Get a mailbox that you must unlock with a key to remove your mail.

• Remove your incoming mail promptly.

• Don't leave your mail for long periods of time in visible, unguarded areas (e.g., apartment lobbies).

• If you're out of town, put a hold on your mail delivery or have a person you trust pick it up.

• Consider enrolling in an electronic payment service to reduce the risk of theft of your outgoing checks.

• Reduce your risk of mail fraud by replacing paper invoices, statements and checks with electronic versions, if offered by your employer, bank, utility provider or merchant.

• Review your statements both in paper and online to detect suspicious activity and fraud.

• Don’t put outgoing mail in your residential mailbox. It could be stolen. Put outgoing mail in a secure USPS mail box or hand it directly to a uniformed USPS mail carrier.

• If you use the red flags found on some mailboxes to alert your mail carrier of outgoing mail, you are also alerting potential thieves that outgoing mail is in the box.
Mail precautions (continued)

- Know your billing and statement cycles. If a company’s regular bills or statements stop reaching you, contact that company immediately.
- Use an electronic bill pay service to help keep your information safe.
- If you stop receiving mail, call the post office immediately. Some criminals are able to forge your signature and have your mail forwarded elsewhere for the purpose of obtaining information that will allow them to apply for credit in your name.
- If you’re told of a forwarding order placed on your mail without your knowledge, go to the post office to check the signature and cancel the order. Ask the post office to track down the forwarded mail—it can remain in the postal system for up to 14 days, so it may not yet have landed in the criminal’s hands.

Bank account security tips

- Report lost or stolen checks immediately
- Review account statements carefully. Ask about suspicious charges.
- Enroll in online account statements if they’re offered through your bank. Review them periodically for faster fraud detection.
- Limit the amount of information on checks. Don’t print your driver’s license number or Social Security Number on your checks.
- Store new and cancelled checks in a safe and secure location. Shred cancelled checks when you no longer need them.

Mobile banking security tips

- Frequently delete text messages with account balance information, and especially before loaning out, discarding, or selling your mobile device.
- Never disclose via text message any personal information (account numbers, passwords, etc.).
- Use the keypad lock or phone lock function on your mobile device when it is not in use. These functions password protect your device so that nobody else can use it or view your information.
- Store your device in a secure location.
- Let your bank know as soon as possible if you lose your mobile device or change your phone number.

Telephone safety

- Don’t give your account number over the phone unless you initiated the call.
- When you purchase by phone, for maximum security, use a corded, rather than cordless phone.
- If you’re contacted by a telephone salesperson (or “telemarketer”), ask questions. The fewer questions a telemarketer can answer, the less likely that it’s a legitimate business. Write down the name, address, and phone number of the businesses or organizations that contact you. Ask for the names of other customers who can tell you about their experience with the business or organization.
Protect your money and identity (continued)

Online safety

• Keep your computer operating system up to date to ensure the highest level of protection.
• Use an up to date web browser.
• Install a personal firewall on your computer.
• Install, run, and keep anti-virus software updated.
• Avoid downloading programs from unknown sources.
• Never use your Social Security Number as your username to sign into online accounts.
• Never set your username to be the same as your password.
• Protect your online passwords. Don't write them down or share them with anyone.
• Use secure, encrypted web sites for transactions and shopping.
• Always log off from any banking, e-commerce or merchant web site. If you cannot log off, shut down your browser to prevent unauthorized access to your account information.
• Completely shut down your computer when you’re not using it. Don't leave it in sleep mode.
• Don't send identifying personal information, such as account numbers, credit card numbers, or PINs via email. Financial institutions will never send you an email asking for this type of information.
• Select one credit card with a low credit limit to use for all your online purchases. Tell your credit card provider that you do not want them to raise the limit on this card without your prior written permission.
• Never download files or click on hyperlinks in emails from people or companies you don’t know.

If someone’s asking you to buy

• Unless you initiated the contact, never give out confidential information (such as account numbers, Social Security number, or mother's maiden name) to anyone.
• Be cautious when you receive offers to buy over the telephone, by mail, or on the Internet. Be especially careful about deals that sound too good to be true. Some of these offers may be illegal scams designed to cheat you. Don’t respond to calls or emails requesting your account information to “award a prize” or “verify a statement.”
• Beware of high-pressure sales people, especially if they tell you the sale must be made now.
• When in doubt, consult the Better Business Bureau or the U.S. Postal Inspection Service.

Home safety

• Be wary of strangers you allow into your home. Don't leave sensitive information, credit cards or checkbooks lying around.
• Store your new and cancelled checks securely.
• Keep your Social Security card in a secure place.
Home Safety (continued)

- Photocopy your driver’s license, credit cards, car registration, Social Security card and other identification, and keep the copies in a safe place.
- Shred unnecessary financial documents, old bank statements, invoices, and unwanted pre-approved credit offers. If possible, buy a shredder and mix the shredded paper thoroughly before throwing it out.

Monitor your financial activity

- Review your account statements as soon as you receive them. Notify the financial institution immediately if you notice errors or unauthorized activity.
- If your account statement is late in arriving, call your financial institution to find out why.
- Consider signing up for online banking. This will allow you to monitor your account activity at any time.
- Never tell anyone your online banking password and change it periodically.
- Check your credit report for accuracy at least twice a year. If a report lists unfamiliar accounts with large credit lines, you may be a victim of identity theft. Also review the “Inquiries” section of your reports. It tells you who has reviewed your credit history. If a car dealer in another part of the country has pulled your credit report, for example, you may be the victim of identity theft.

What is “phishing”?

- Phishing is usually a two-part scam involving email and spoof websites.
- Fraudsters, also known as phishers, send email to a wide audience that appears to come from a reputable company. This is known as a phish email.
- In the phish email are links to websites that spoof or imitate a reputable company’s websites.
- Fraudsters hope to convince victims to give up their personal information by using clever and compelling language, such as an urgent need for you to update your information immediately.
- Once obtained, personal information can be used to steal money, or transfer stolen money into a different account.
- Fraudsters obtain email addresses from many places on the web. They also purchase email lists and sometimes guess email addresses.
- Fraudsters generally have no idea if people they send phish emails to are actual bank customers or not. They hope a percentage of the phish emails they send will be received by customers.
- A new form of fraudulent emails, called vishing or voicemail phishing, involves emails that contain fraudulent telephone numbers instead of links. Recipients of vishing emails are instructed to call this number and disclose personal and account information. Remember: always communicate with your bank by using a number you know to be associated with it, like the number found on the back of your debit card.
Protect your money and identity (continued)

Email & phish security tips
- Be wary of suspicious emails. Never open attachments, click on links, or respond to emails from suspicious or unknown senders.
- If you receive a suspicious email that you think is a phish email, do not respond or provide any information. Send the email to Anti-Phishing Working Group at reportphishing@antiphishing.org. Also, follow any phish email reporting procedures established by your bank.
- If you respond to a phish email with personal information, contact your bank immediately.

What is “skimming”?  
- Skimming is a form of financial fraud where criminals copy the magnetic stripe encoding from your credit card using a hand-held device called a skimmer, which resembles an ATM keyboard. Each skimmer can hold data from hundreds of different credit cards.
- Once your credit card has been swiped through the device, the thief has the information needed to make a counterfeit card.
- Thieves often sell the data to other people. The data can be downloaded into a computer and emailed anywhere around the world and is used to make counterfeit credit cards.
- Monitor your credit card statements carefully and report any unauthorized activity immediately.

About Scams
- Fraudsters try to contact and defraud potential victims using various means. Once they contact potential victims, they use compelling language and scenarios to scam them.
- If you’re involved in a situation that matches one of the following descriptions, it could be a scam and you should contact your bank immediately:
  - **Job scams**: You are paid or receive a commission to facilitate money transfers through your account or apply for a job that asks you to set up a new bank account.
  - **Dating scams**: Someone you met through an online dating site or chat room asks you to send money for a variety of reasons including a need for urgent surgery or to make travel arrangements to meet in person.
  - **Lottery or sweepstakes scams**: You receive notice that you are the winner of a lottery that you did not enter, but must pay a small percentage for alleged taxes or other fees before you can receive the rest of your prize.
  - **Internet scams**: You receive a check for something you sold over the internet, but the amount of the check is more than the selling price. You are instructed to deposit the check, but send back the difference in cash.

  **OR** You receive a check from a business or individual different from the person buying your item or product.

  **OR** You are instructed to transfer money, or receive a transfer of money, as soon as possible.

- Remember, if it sounds too good to be true, it probably is.
Scam prevention tips

- Don’t accept payments for more than the amount of the service with the understanding that you send them the difference.
- Don’t accept checks from people you’ve only met online.
- Don’t accept jobs in which you are paid or receive commission for facilitating money transfers through your account.
- Be wary of job offers that require you set up a new bank account.
- You are ultimately responsible and liable for all deposits made into your account, whether they are a check, money order, transfer, etc.
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We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at wellsfargo.com or any Wells Fargo store.
Protect your money and identity (continued)

Resources to learn more
Here is a list of helpful Web sites for further information and assistance to protect yourself financially.

<table>
<thead>
<tr>
<th>Web Site</th>
<th>Description</th>
<th>URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Trade Commission</td>
<td>Agency dedicated to preventing consumer fraud.</td>
<td><a href="http://www.ftc.gov">www.ftc.gov</a> or call toll-free, 1-877-FTC-HELP (1-877-382-4357)</td>
</tr>
<tr>
<td>Fakechecks.org</td>
<td>Web site sponsored by the American Bankers Association and the U.S. Postal Service.</td>
<td><a href="http://www.fakechecks.org">www.fakechecks.org</a></td>
</tr>
<tr>
<td>ScamBusters.org</td>
<td>Web site dedicated to protecting consumers from scams.</td>
<td><a href="http://www.scambusters.org">www.scambusters.org</a></td>
</tr>
<tr>
<td>United States Department of Justice</td>
<td>Government site with a focus on the Internet and telemarketing.</td>
<td><a href="http://www.usdoj.gov/criminal/fraud/internet">www.usdoj.gov/criminal/fraud/internet</a></td>
</tr>
<tr>
<td>FDIC—Don’t Be an Online Victim</td>
<td>Tips from the governmental agency that regulates U.S. banking.</td>
<td><a href="http://www.fdic.gov/consumers/consumer/guard">www.fdic.gov/consumers/consumer/guard</a></td>
</tr>
<tr>
<td>National Consumer’s League Fraud Center</td>
<td>Information and tips for avoiding fraud.</td>
<td><a href="http://www.fraud.org">www.fraud.org</a></td>
</tr>
<tr>
<td>Anti-Phishing Working Group</td>
<td>A global law enforcement association focused on eliminating fraud and identity theft.</td>
<td><a href="http://www.antiphishing.org">www.antiphishing.org</a></td>
</tr>
<tr>
<td>Social Security Online—Identity Theft Fact Sheet</td>
<td>Helpful links assembled by the Social Security Administration.</td>
<td><a href="http://www.ssa.gov/pubs/idtheft.htm">www.ssa.gov/pubs/idtheft.htm</a></td>
</tr>
<tr>
<td>Fight Identity Theft</td>
<td>Site for raising risk awareness and presenting steps consumers can take to protect themselves.</td>
<td><a href="http://www.fightidentitytheft.com">www.fightidentitytheft.com</a></td>
</tr>
</tbody>
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Home Shopping Tips

Buy a new or existing home?
In general, new houses require less repair and maintenance. They may also offer certain warranties and more energy-efficient features that can mean lower utility bills. Many first-time homebuyers purchase existing houses because they can get more for their money. The buyer of an existing house may benefit from improvements the former owner has made, such as landscaping or utility upgrades. If you are handy with tools, you may be able to get a good deal on a house that needs some remodeling or updating. Always consider the costs associated with repairs before making an offer on any home.

Location
For many people, the location of the home is the most important consideration. While looking at homes for sale, keep your specific needs in mind. Do you need to be in a particular school district, or close to a job, bus line, or daycare facility? If you are willing to travel some distance to work, you may be able to find a home for less money. Make sure the savings outweigh your commuting costs.

Size and special features
Sit down with your family and make a “wish list” of features you need and want in your new home. How many bedrooms and baths do you need? Try to estimate your requirements for at least the next five years. Do you need wheelchair accessibility? Is a garage something you definitely want? What about a basement? You may be able to find the house that fulfills every item on your wish list, but it’s usually a good idea to rank the items on your list and be flexible with regard to some of the major features you require and that fall within your budget.

Take time to look
Take the necessary time and care to choose the home that best suits your needs, repair abilities, and budget. Studies have shown that the average house hunter looks at 16 to 25 homes before finding or choosing the one to buy.

How and where to look
Strongly consider working with a real estate professional. Also, talk to your family, friends and coworkers about homes they may know are for sale. Study local real estate publications. Look at real estate ads in the local newspapers and on the Web. Visit a home for sale during an "open house," which is when the seller’s real estate agent holds it open to the public during certain hours.

Home inspection
When you plan to make a purchase this large, you should give serious consideration to hiring a professional home inspector. Your real estate agent or lender can recommend an inspector, but make sure the person will give you an unbiased opinion. You don’t want to take the advice of someone who works for the seller’s real estate agent, or someone who hopes to get your business if the home needs repairs. Ask if the inspector is certified by the National Institute of Builders and a member of the American Society of Home Inspectors. A professional with these credentials will provide an objective opinion about the condition of the home.
Home shopping tips (continued)

Avoiding Discrimination
Federal law prohibits housing discrimination based on your race, color, national origin, religion, sex, family status, or disability. If you have been trying to buy or rent a home or apartment, and you believe your rights have been violated, you can file a fair housing complaint. You can file a complaint by contacting the U.S. Department of Housing and Urban Development via email, phone, or mail. They will ask you to provide:

• Your name and address.
• The name and address of the person your complaint is about.
• The address of the house or apartment you were trying to rent or buy.
• The date when the incident occurred.
• A short description of what happened.

U.S. Department of Housing and Urban Development (HUD)

Web site:  
Toll-free phone:  
Mailing address:

[Web site: www.hud.gov]

[1-800-669-9777]

Office of Fair Housing and Equal Opportunity
Department of Housing and Urban Development
Room 5204
451 Seventh St. SW
Washington, DC 20410-2000

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at wellsfargo.com or any Wells Fargo store.
About Credit Scores

A credit score is a three-digit number that’s a shorthand way to express the raw data in your credit report.

Your credit score can affect your ability to get loans, including car loans and home mortgages. Future jobs and insurance premiums can also be impacted by your credit score.

The three major credit bureaus in the United States, Experian, Equifax, and TransUnion, each calculate consumer credit scores. They provide the scores to consumers for small fee, usually ranging from five to seven dollars. Because their calculation models differ somewhat, a consumer’s score may vary depending on which bureau does the calculation. One common method used to calculate credit scores is called FICO, which is an abbreviation for the company that developed the model: Fair Isaac and Company.

When you apply for credit, most lenders run, or “pull,” your credit report, and may obtain a credit bureau score. Scoring systems were designed to help lenders speed up their loan review process and accurately determine their risk in lending to you. Scoring systems have been used since the 1950s by retail merchants, credit card companies, insurance companies, and banks for consumer lending. For the past several years, credit scoring has also been used by mortgage lenders.

Lenders use the results of the credit bureau score to determine specific reasons for approving or not approving your loan. The scoring process only considers the information in your credit file; it does not consider your income, savings, or the amount of your down payment for a mortgage. When your credit report prints in your lender’s office, your credit bureau score is displayed. Your score can be anywhere between the high 300 and the mid-800’s. Research studies by lenders have shown that borrowers with scores above 680 are more likely to make their payments on time. Borrowers with scores below 600 are more likely to be higher risk.

Points are awarded or deducted based on factors such as how long you have had credit cards, whether you make your payments on time, and if your credit balances are near maximum. Some of the things that affect your credit score are:

- Delinquencies (failure to make loan payments on time).
- Too many accounts opened within the last 12 months.
- Short credit history.
- Balances on revolving credit near the maximum limits.
- Information about you in public records, such as tax liens, judgments, or bankruptcies.
- No recent credit card balances.
- Too many recent credit inquiries.
- Too few revolving accounts.
- Too many revolving accounts.
About Credit Scores (continued)

For a higher credit score:

- Pay your bills on time.
- Keep credit balances low.
- Apply for and open new accounts only as needed.

Since length of credit history is a factor in your score, if you’re closing credit card accounts, keep the card you’ve had the longest. If you have a credit card you’re not using, check your account occasionally to make sure there is no fraudulent activity. Use your card at least once every six months or so. Otherwise, it will be listed on your report as inactive and won’t be factored into your credit score.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at wellsfargo.com or any Wells Fargo store.
Protect and Manage Your Home Investment

Obtaining adequate insurance
Consult with your insurance agent regarding the types and amount of coverage you need. Here are some factors to keep in mind:

- Typically, homeowner's policies cover you for damages or losses caused by occurrences such as theft, fire, vandalism, or wind. But if you want to be covered for other disasters, such as earthquakes, you may have to purchase extended coverage. Flood insurance requires a separate policy.
- Consider whether you want replacement coverage for your home and its contents. This may cost more, but if your property is damaged or destroyed, you can make a claim for the full cost of repair or replacement.
- Consider how much liability insurance you need. If someone is injured on your property, liability insurance allows you to file a claim to cover costs such as medical expenses.
- You may be able to save money by buying homeowner's insurance from the same company that carries your car insurance.

Using your home equity
As you make mortgage payments through the years, you build home equity. Equity is the difference between how much your home is worth and how much you still owe for it. You may be able to borrow against that equity. Two ways to borrow using your home as collateral are:

- **A home equity loan (second mortgage)**, which is a loan that is secured by your home and is similar to your first mortgage. It must be paid back within a certain length of time. Borrowers often use the money for a specific purpose (for example, remodeling the house), and the interest rate is usually higher than on a first mortgage.
- **A home equity line of credit** also uses your home as security and provides a revolving credit line. You might use this credit to pay for major repairs or home improvements, or for investments in your future, like college education.

Because these debts are secured by your home, part of the interest you’ll pay is often tax deductible, regardless of how you spend the money. (Check with your tax advisor.) But remember, just as with your first mortgage, if you don’t repay these loans on time, you risk losing your house. So be conservative in your use of home equity loans and lines.

Refinancing your home
If interest rates fall substantially below the level of your current mortgage, you may want to think about refinancing your home. Refinancing can let you take advantage of a lower—or better—interest rate and may reduce your mortgage payment. It’s also another way to turn your home equity into cash. Here’s how refinancing works:
Protect and manage your home investment (continued)

Refinancing your home (continued)

- You take out a new mortgage loan and use the funds to pay off the mortgage loan you currently have. If the interest rate on your new mortgage loan is lower, your monthly payment also could be less. Even if you refinance using the same lender that financed your original mortgage, you will go through closing and pay closing costs again. Still, if the mortgage interest rates are low enough or you need to take a lump sum of cash out of your home investment, the cost of refinancing may be worth it over the long term.

- If your goal is to get a better rate, refinancing makes sense if you stay in the home long enough to recover the costs of the new loan. The difference between your current rate and a new, lower rate doesn't have to be large for refinancing to make sense financially. Check with your home mortgage consultant or use an online refinance calculator to help you determine if refinancing would be worthwhile in your circumstances.

Avoiding foreclosure

If you're a homeowner, you have probably invested a great deal of time and money in the purchase of your home. It’s most likely one of the largest financial investments you’ll ever make. You must make your monthly payment on time or you’ll risk losing your home and the money you have invested through foreclosure. In a foreclosure, the lender becomes the owner of your home and you must move into other housing. The lender might also pursue you through the courts for money you still owe on your mortgage loan.

Even the most reliable borrowers sometimes fail to meet every payment on its due date, and it’s possible that there’s a good reason for a late payment, such as a reduction of earnings or illness in the family. If you’re having problems making your monthly mortgage payments, call your lender immediately. If you do, you might avoid losing your home through foreclosure.

Take immediate steps to save your home:

- Call or write your lender.
- Call a housing counseling agency and arrange an appointment.
- Call your HUD or VA office, but only after you’ve contacted your lender or a counseling agency and they cannot help you.
- Cooperate fully with whichever source of help you contact.
- Inquire about payment assistance.
- Pay the delinquent amount, if possible.
- Try to negotiate an agreement giving you more time to catch up on overdue payments and postpone foreclosure—known as a forbearance agreement.
- Talk to your lender about a loan modification (an agreement to establish a new repayment schedule for your mortgage) or loan assignment, if you have a Federal Housing Authority (FHA) mortgage.
- Research your bankruptcy options.

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