

Home Ownership: Wealth Creation & Financial Stability

Basic Rules:

1. Save about 5% of sale price of the home you intend to buy.
2. Borrow about 2.5 times the gross annual household income.
3. Ideal loan terms are 30 year fixed rate loan at or below market rate.

Cost of a poor credit score:

On a \$216,000 loan for a 30 years fixed rate mortgage:

- A person with a score of 760 will pay 3.76% interest, monthly \$1,002, and \$360,869 over 30 years.
- A person with a score of 620 will pay 5.351% interest, monthly \$1,206, and \$434,271 over 30 years.

COST: \$73,402 over 30 years.

CREDIT SCORE

- 35% is based on your payment history
 - **PAY ALL BILLS ON TIME**
- 30% is based on how much of the available credit you have used.
 - **USE 1/3 OF AVAILABLE CREDIT**
- 15% is the length of credit history
 - **MORE POSITIVE, LONGER HISTORY = HIGHER SCORE**
- 10% is new credit you apply for or acquire
 - **THIS IS WHERE INQUIRIES COME IN**
- 10% is the type of credit you have
 - **FIND GOOD LENDERS & DIVERSIFY TYPE OF LOANS/CREDIT**

HOW & WHERE TO FIND YOUR SCORE

- www.creditkarma.com
- www.annualcreditreport.com
- www.creditsesame.com
- www.discover.com/credit-cards/fico-score-free/
- creditwise.capitalone.com/home

Examples

I want to buy a home for \$100,000.

- I need to save \$5,000.
- My gross annual household income should be \$40,000
- Today's market rate is 4.05%.
- At 4% my PITI is about \$561/month

I want to buy a home for \$200,000.

I need to save \$10,000 and my gross incomes should be \$80,000. My PITI will be about \$1,062/month.

Credit Builder Program through Artisans' Bank

REQUIRES YOU TO ATTEND CLASSES AND WORK WITH A HOUSING COUNSELOR

Takes 6 - 24 months to build your score

DCRAC WARNING: If you miss a timely payment your score will tank.

A \$500 to \$2,000 deposit secured loan. Artisans' funds the loan. You do not need to come up with the deposit. You make payments each month and repay this loan over a 12-24 months at a fixed 9% interest rate (APR). At end of the loan term, proceeds may be deposited into an Artisans' Free Savers deposit Account or a short term CD.

FROM MY FICO on \$216,000

Score	APR	Pay	Interest Total
760-850	3.767	1,002	144,869
700-759	3.988	1,030	154,700
680-699	4.164	1,052	162,628
660-679	4.378	1,079	172,382
640-659	4.807	1,134	192,309
620-639	5.351	1,206	218,271

If you are between 620 and 639 and improve your score to over 760, you save \$73,402