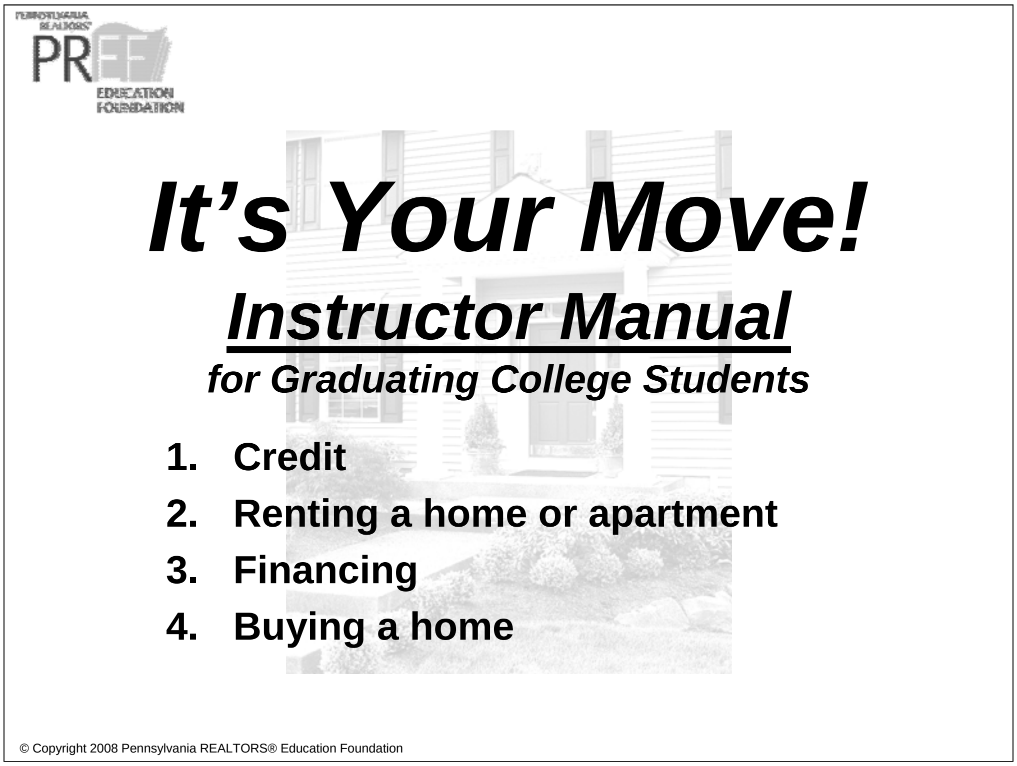

Introduce yourself, the topic and provide an overview of the course.

The Pennsylvania Realtors Education Foundation and your local Realtor® are proud to provide this free program titled "It's Your Move!" for graduating college students to help you understand your contractual obligations relating to housing "purchases"—whether renting or buying your first residence.

This program is divided into four modules.

In the "Credit" Module we will explore topics such as how to establish credit, your credit score, how to use credit responsibly, and the importance of guarding against identity theft and protecting your social security number.

In the next module, titled "Renting a Home or Apartment," we will examine what it takes to rent or purchase a residence. This will help answer many questions such as; What various types of units are available? What about working with landlords, paperwork, determining what I can afford? Do I need furnished or unfurnished? What are my rights and responsibilities? What about leases, who pays for improvements, insurance issues and many other topics involved in the day-to-day rental of property.

In the module on "Financing" you will learn some basic information on budgets: income and expenses, assets and liabilities. You will cover debit or check cards versus credit cards and learn how interest and principal relate to different types of loans – whether you are buying a car or a house.

In the last module, you will learn about "Buying a Home" the basic types of mortgages and needed insurance, and other money issues. Additionally, you will review a basic checklist of the steps to buy a home.

Module 1: Credit

In this module you will learn:

1. **How to establish credit.**
2. **What a *credit score* is and what affects it.**
3. **How to use credit.**
4. **The importance of protecting your identity.**
5. **When to give out your Social Security number and when not to.**

Introduce the learning objectives for Module 1:

In this module you will learn:

1. How to establish credit.
2. What is a *credit score* and what affects it.
3. How to use credit.
4. The importance of protecting your identity.
5. When to give out your Social Security number and when not to.

Depending on your time available: give students a brief amount of time to write down their answers to these questions in their workbook.

1. In your own words, explain the meaning of "credit."
2. Do you currently have a loan or a credit card? If so, list that information here:
3. What do you think are some responsible uses of credit?
4. What do you think would be some bad uses of credit?
5. Do you know what protecting your identity means?
6. Have you ever been asked for your Social Security Number?

What is Credit?

- **Privilege – Convenience – NOT a RIGHT!**
- **You must EARN the privilege to use credit**
- **Credit lets you**
  - **Charge a meal on a credit card**
  - **Pay for a stereo on an installment plan**
  - **Take out a loan to buy a car, house or pay for schooling**
- **Credit allows you to make a purchase without having ready cash available**

<u>You need to establish *“good credit”*</u>

First of all, what is credit, anyway? And, why do I need it to buy a home, or rent a home or an apartment?

Credit is a privilege. Credit provides you a convenience. Credit is not a “right.” In other words, credit is not something you are automatically entitled to. Credit is something you must earn.

Credit lets you charge a meal on a credit card, pay for an appliance on an installment plan, take out a loan to buy a car or a house, or pay for schooling. In other words, credit allows you to make a purchase without having the ready cash available.

A credit card enables you to buy things now and pay for them later. You get credit by promising to pay in the future for something you receive in the present. Sound great doesn’t it? Sounds easy, doesn’t it? But not so fast! With credit comes responsibilities. And if you don’t meet those responsibilities; it means you won’t have what’s called “good credit.” And, not only will you no longer be allowed to purchase those things you want to get now and pay for them later, but it means you may not be able to buy a home, or even rent an apartment.

So, why do you need credit? You don’t: but you do need to establish “good credit” if you are going to purchase a home or rent an apartment.

Establishing Credit

Step 1: Establish credit in your own name.

- **Establishing credit means:**
  - ✓ **A record, in your name of your borrowing history**
  - ✓ ***Good Credit history* shows responsibility**
- **If you do not have credit in your own name**
  - ➢ **It will be difficult for you to rent an apartment or buy a house.**

Let's look at some ways you can

establish credit

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Introduction:

You have probably established some credit in your name by now. If so, you must make sure you maintain your creditworthiness. If you have not had the opportunity to establish credit – then you must get started!

Establishing credit in your own name is the first step to building a successful credit history that lenders can use as one resource to decide whether or not to lend you money. In other words, if someone is going to loan you money, whether for you to buy a home or a car, they want to be reasonably assured that you will pay it back. If someone is going to rent you an apartment, they want to be reasonably assured that you will make your monthly rent payments – on time!

That what's establishing credit is all about. It means that someone can look at a record that's in your name showing that you have borrowed money in the past. A good credit history means that not only have you borrowed money in the past, but you have been responsible about paying that loan back. So your first goal is to establish a good credit history in your name.

If you've never had credit in your own name, it will be difficult to get a loan for a house or even rent an apartment. In most cases you will have to be 18 years of age and have a source of steady income to establish credit. Let's look at some ways you can establish credit.

Establishing Credit

- **Open a *Checking* and a *Savings Account***
  - **Increases your chances of further credit**
  - **The bank will value you as a customer**
  - **They can verify how you handle money in your accounts**
- **If you are not yet 18 years of age, or do not have a reliable source of income**
  - **You may need a *cosigner* who will promise to pay back your loan if you don't!**
  - **Be responsible if you have a cosigner!**

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The first place to start is your local bank.

One of the first steps in establishing credit is to open a Checking and a Savings account at your local bank. While this won't prove that you can borrow money and pay it back, it does mean that you are responsible and can handle money.

Also, by establishing a relationship with a local bank you are increasing your chances of further establishing credit. The bank will value you as a customer and can verify how you have handled the money in your checking and savings accounts. If you are at least eighteen years of age, and have a reliable source of income, the bank is much more likely to grant you a credit card or "line of credit" on an account or loan you money for a car or other item. In other words, they will loan you money.

If you are not yet eighteen, or have not established a reliable source of income because you have not had a job for a long enough period of time, then you may require a cosigner to help establish credit. A **cosigner** is a person with good credit who agrees, by signing your credit application, that they will pay your loan in the event you fail to do so. Should this be necessary, be sure to pay this loan off promptly and, once your credit is established, cancel this loan to prevent further usage.

Establishing Credit

More tips for establishing credit:

1. **Apply for a small loan or line of credit from your local bank.**
2. **Apply for a credit card from a local department store.**
3. **Pay your bills responsibly.**
4. **Know the lenders requirements and apply only to lenders whose requirements you meet.**
5. **Don’t apply for too many loans.**

<u>Become a Creditworthy Person</u>

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Discuss the following steps for establishing credit and have students complete the “fill in the blank” exercises:

1. Apply for a **<u>small</u>** loan or **<u>line of credit</u>** from your local bank.

2. Apply for a **<u>credit card</u>** from a local department store. .

3. The key to establishing good credit is to show that you can pay your bills **<u>responsibly</u>**.

4. Know the lenders requirements and apply only to lenders whose requirements you meet.

5. Don’t apply for too many loans. That will hurt your credit history, as well. Applying for too much credit in a short period of time will only decrease your chances of establishing credit.

Your goal is to become a **<u>creditworthy</u>** person.

Credit Success Story

1. Works and Saves $1,000 for auto

2. Qualifies for $1,000 Secured Loan

3. On-time Payments Establishes Credit

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Discuss with students the concept of a secured loan and how it can be used to establish credit or re-establish bad credit.

Ask: “How many already have a checking account, a savings account?”

Ask: “How many have a job?”

If students do not yet have a savings account, then walk the students through the process of going to a bank or credit union and opening a savings account. Most college students have checking accounts; but many may not yet have savings accounts. Walk the students through the basic process of applying for a loan.

Ask the students to think about what they will do to establish credit and have them make notes about their plan in their workbook. Mention that if they are not satisfied with their current credit rating; through time and hard work they can re-establish good credit.

Your Credit Score

- **A credit score is**
  - **a number that is assigned to a person**
  - **based on an analysis of a person's credit files**
  - **helps indicate the likelihood that the person will pay his or her debts in a timely manner.**
- **The higher your credit score, the more likely you are to pay your debts on time**

Your goal is to maintain a *<u>Good Credit Score</u>*

So, besides your age and your income, what is that lenders look at to determine your creditworthiness; and whether or not you are likely to pay their loan back or make your rent payments on time.

It's your ***Credit Score.***

A credit score is a number that is assigned, based on an analysis of a person's credit files, that helps to indicate the likelihood that the person will pay his or her debts in a timely manner.

A credit score is primarily based on <u>credit report</u> information, That information is obtained from the lenders who loan you money, or companies you promise to pay for a service they provide you. So, banks, credit card companies, cell phone companies, and insurance companies can all provide input about how responsible you are in paying money you owe them.

They can supply this information to one of three national credit bureau, who then, based on your credit history, assigns a number to you. This number then tells others who are considering loaning you money what is the likelihood you will repay their loan or meet your debts in a timely fashion.

The higher your credit score, the more likely you are to pay your debts on time. So, maintaining a good credit score is what you will need to rent an apartment or buy a home.

What affects your Credit Score

Credit scores typically range from 300-900 points

To keep your credit score high:

1. **Pay all bills on time and pay the full amount due.**
2. **Keep employed.**
3. **Minimize your outstanding debt.**
4. **Minimize the inquiries on your credit report**
   - **Don't apply for too much credit.**

Maintaining a good credit score is your responsibility – take it seriously!

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If maintaining a good credit score is important, then what affects your credit score?

The key to maintaining a good credit score is a combination of several factors. It only makes sense that lenders will want to look at more than one factor before determining your creditworthiness.

The most important factor is to pay your bills on time! You must also pay the minimum amount due. These factors will tell more about your credit history than any other item. So, credit bureaus will look heavily at these items in determining your credit score. Maintaining employment is also important in maintaining a good score. This one is obvious, if you don't have a job and income, it cannot be expected you will have the ability to meet your debts and your credit score will suffer.

The less you owe, the easier it is to repay debt. While this seems like common sense, many people can become easily "overextended." This means they have committed themselves financially and owe more than what they can realistically pay. Don't let this happen to you – "minimize your outstanding debt!"

Also, too many inquiries about your credit score and credit history may indicate you are trying too desperately to obtain credit. That is a bad sign and may lower your credit score. Apply for credit only once you are sure of the lender's requirements and feel confident that you meet those requirements. Remember: Maintaining a good credit score is your responsibility – take it seriously!

Some Debt Guidelines

- **Poor credit scores can result from**
  - **Failure to make payments on time**
  - **Failure to make minimum payments**
  - **Having too much debt**
- **The maximum percentage of your take-home pay that should go towards debt:**
  - **10% or less – you are probably safe**
  - **11% to 15% – you may start feeling pressure**
  - **16% to 20% – start working on reducing your debt**
  - **21% or more – make changes to reduce debt now!**

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Poor credit scores can result from

Failure to make payments on time

Failure to make minimum payments

Having too much debt

If you are only making your minimum payment each month – you have too much debt!

Here are some guidelines to help in determining your level of debt.

These are recommended maximum percentages of your take-home pay that should go towards debt:

10% or less – you are probably safe

11% to 15% – you may start feeling pressure

16% to 20% – start working on reducing your debt

21% or more – make changes to reduce debt now!

If you have too much debt, you must begin steps to reduce your debt.

Protect Your Identity

Some tips to protect your credit and your identity:

- ✓ **Keep account numbers in a secure location at home**
- ✓ **Call creditors immediately if your credit cards are lost or stolen.**
- ✓ **Be aware of scams**
- ✓ **Don't give your credit card number to just anyone over the phone**
- ✓ **Be extremely careful on the internet.**
- ✓ **Carry only the cards you need**

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If you are going to maintain good credit, then you have to guard your identity, meaning you must protect your credit account and personal information, and your identification numbers. Identity theft has become an important issue in the United States. And that problem, unfortunately, continues to grow.

Here are some tips to help protect your credit and your identity:

Keep a list of account numbers in a secure location at home.

Call creditors immediately if your credit cards are lost or stolen. If you report the card lost or stolen before it's used, you won't have any payment responsibilities if someone should use your card. Otherwise your credit liability will be limited to $50. But, attempting to clean up your credit files after someone has stolen your credit cards can be time consuming and frustrating.

Be aware of scams. There are people who will try to trick you into giving them your credit or debit card number.

Don't give your credit card number to anyone over the phone who calls on the pretext of "checking" your personal information or "correcting" a problem with your account.

Be extremely careful on the internet. For example, an e-mail, supposedly from your bank seeking verification of your account information, is a common scam. Don't respond to the email, but call the bank immediately to alert them to the scam.

Carry only the cards and account information you need; leave the rest at home where they are safe.

Protect Your Social Security Number

- **Identity thieves can steal your Social Security Number (SSN) and apply for credit in your name.**
- **You may not find out until it is too late!**
  - **They will use the credit cards that have your name on them and then not pay the bills!**
  - **Unknown creditors will call demanding payment**

It will be a nightmare!

<u>You must protect your SSN!</u>

Identity theft is one of the fastest growing crimes in America. A dishonest person who steals your Social Security number can use it to get other personal information about you. These people can use your Social Security Number to apply for credit in your name. Then, they use the credit cards and do not pay the bills. You may not find out that someone is using your number until you are turned down for credit or you begin to get calls from unknown creditors demanding payment for items you never bought. Obviously, this can become a nightmare!

You must protect your Social Security Number!

Protect Your Social Security Number

Here are some tips to help protect your SSN:

- ✓ **Show your card to your employer when you start a job so your records are correct.**
- ✓ **Provide your Social Security number to your financial institution for tax reporting purposes.**
- ✓ **Keep your card and any other document that shows your Social Security number on it in a safe place.**
- ✓ **DO NOT routinely carry your card or other documents that display your number.**

Here are some tips from the Social Security Administration to help protect your social security number:

Show your card to your employer when you start a job so your records are correct.

Provide your Social Security number to your financial institution for tax reporting purposes.

Keep your card and any other document that shows your Social Security number on it in a safe place.

DO NOT routinely carry your card or other documents that display your number.

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Summary

- ✓ If you are going to rent a home or apartment, or buy a home, you must first establish good credit.
- ✓ Good Credit means that others can trust you to pay your debts on time.
- ✓ Establish credit in your name by researching and applying for credit you qualify for.
- ✓ Follow guidelines for maintaining a good Credit Score.
- ✓ Be aware of identity theft and protect your identity!
- ✓ You must protect your Social Security Number!

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Let's review what we have discussed in this first module on Credit: (Provide a review of each topic.)

If you are going to rent a home or apartment, or finance and buy a home, you must first establish good credit.

Good Credit means that others can trust you to pay your debts on time.

Establish credit in your name by researching and applying for credit you qualify for.

Follow guidelines for maintaining a good Credit Score.

Be aware of identity theft and protect your identity!

You must protect your Social Security Number!

Module 2: Renting a Home or Apartment

In this module you will learn:

1. **What does it mean to “rent” a property.**
2. **Your rental choices and how to rent property.**
3. **The importance of using a Realtor® to help with your rental decisions.**
4. **Responsibilities of tenants and landlords.**
5. **How to extend or terminate a lease.**

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The Pennsylvania Realtors® Education Foundation and your local Realtor® are proud to provide this second module as part of the program titled “It’s Your Move!”

Introduce the learning objectives for Module 2:

In this module you will learn:

1. What does it mean to “rent” a property.
2. Your rental choices and how to rent property.
3. The importance of using a Realtor® to help with your rental decisions.
4. Responsibilities of tenants and landlords.
5. How to extend or terminate a lease.

What does “Rent” mean?

- ***You*** **sign a written agreement**
  - ✓ **you pay money to a landlord or property manager**
  - ✓ **you then live in the property you rent.**
- **This agreement is usually called a:**

“Lease or Rental Agreement”

- **Remember, you must always do what you say you are going to do in a written agreement –** ***It’s the law!***

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You may decide it is time to rent a home or apartment. To rent a home or apartment means that you ***sign a written agreement*** stating you will ***pay a certain amount of money***, (usually by a certain day each month), to a landlord or property manager for the privilege of being able to ***live in the property you rent***. You are then known as the tenant of the property. This agreement is usually called a ”Lease” or “Rental Agreement.” And, remember, you must always do what you say you are going to do in a written agreement – *It’s the law!*

Renting a home or apartment should not be taken lightly. As you will see, there are several responsibilities associated with renting. While renting is often done before buying a home, it should not be taken lightly. Your track record as a renter and your demonstration of how well you meet the legal obligations of your rental agreement can affect your ability to later purchase a home.

Renting allows more flexibility than ownership and can be short or long term, the tenant generally has less responsibility in regards to maintenance of the property. Property owners are tied to their property and mortgage payments until they are able to sell their property, but their monthly payments go towards the equity in their own home instead of into a landlord’s pocket! Purchasing or selling a home is a fairly drawn out process. Renters are often able to move on much shorter notice. For many making their move for the first time renting is the best option.

Before I Make My Move!

- **What type of unit will work best?**
- **What about landlords and managers?**
- **What will all the paperwork mean?**
- **What can I afford?**
- **How do I find the right place?**
- **What qualities and amenities do I need?**
- **And, finally, what about my responsibilities?**

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If you have decided it is time to rent a home or apartment there are several options and factors you must consider before *making your move*.

There are advantages and disadvantages to renting a home; just as there are advantages and disadvantages to renting an apartment. You must think about:

What type of unit (house, condo, apartment or otherwise) will work best for you?

What type of landlords and managers will I have to work with?

What will all the paperwork I have to fill out mean?

What can I afford?

How do I find the right place I am looking for?

What qualities and amenities do I need?

And, finally, what about my responsibilities should I make such a big decision?

Types of Units Available

- ***House***
- ***Condominium***
- ***Townhome***
- ***Duplex***
- ***Mobile home***
- ***Room***
- ***Apartment***

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There are several options available to renters.

For example, you may decide to rent a ***House.*** While typically offering the most amount of room, renting a house may have certain drawbacks. You, as the renter, may have certain items to upkeep, like mowing a lawn for example, that you would not have if you rented an apartment. Also, renting a house may be more expensive than renting an apartment.

You may decide to rent a ***condominium***, or ***condo*** for short. A condo is an apartment that is owned by an individual as opposed to an apartment in a complex where the entire complex is owned by one person or company.

Townhomes are essentially apartments with more than one floor.

Duplexes are two unit apartment buildings.

A ***mobile home***, thought it is a home built on a steel chassis, is located on a permanent site.

You might also have the option to rent an ***individual room*** in a home or other apartment with other tenants.

Most renters rent an ***apartment***. Apartments are usually the easiest and quickest to find, typically contain all of the amenities you need and can often be rented when you need them.

Types of Landlords and Property Managers

- **Landlords own the property they want to rent.**
- **Property Managers**
  - ✓ **do not own the property**
  - ✓ **are the go-between for the landlord and the tenant.**

Keys to landlords and tenants working together successfully are communication, honesty and meeting responsibilities.

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You may encounter different types of landlords and property managers.

Landlords are property owners who have decided to rent or lease the property they own. They may be individuals, corporations who own the property; or, non-profit organizations such as a housing association, or government agency which regulates use of the housing. In some cases, such as when renting a house, renting a room in a house or renting a mobile home you may deal directly with the landlord. In many cases, however, you may find yourself not dealing with the landlord themselves, but with an individual the landlord has hired to rent an manage their property.

Property managers do not own the property, but are the go-between for the landlord and the tenant. Most apartment complexes are owned by large corporations who often own several different complexes, even in many states. They will have a property manager at each location who is typically responsible for seeing that the property is maintained, renting apartments to individuals, and collecting rent payments from renters. It is this property manager who renters will most often find themselves dealing with directly when they rent an apartment in a larger complex.

The keys to working successfully with any landlord or property manager are communication, honesty and both parties meeting their responsibilities. Successful renting is a two-way street. Renters who strive to meet their end of the agreement will find landlords and property managers much more willing to communicate with and meet their specific needs.

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Paperwork!

- **Lease Application**
  - ✓ **Personal Information, Employment history, Rental history, consent to credit check.**
  - ✓ **If approved, you are now eligible to rent the property**
- **Lease Agreement**
  - ✓ **Legally binding between the tenant and landlord**
  - ✓ **Outlines terms of the lease**
  - ✓ **Often requires fees and deposits**

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The rental process requires the completion of "paperwork." Renters must take time to read and make sure they understand the wording in any document. For once you sign a document, you can most likely expect to be legally held to perform what you have agreed to do!

In order to begin the rental process, you are expected to fill out a ***Lease Application*** which contains information such as rental and employment history which the landlord uses to determine whether or not to lease the property to you. The landlord or property manager will often check your credit history to help determine the likelihood you will meet the financial obligations of your lease or rental agreement.

Once you are approved, you and the landlord will both sign a ***lease agreement***. The lease agreement is a legally binding written contract between the tenant and the landlord that outlines the rules and terms of the lease. These typically include: the length of the lease, the price of rent and what day of the month you must make your payment, and expectations of both the landlord and the tenant. Make sure to go over every detail in the lease with the landlord to make sure that you both understand all of the terms in the lease. Failure to do so can result in lost deposits, fines, and even eviction!

There are ***fees and deposits*** that are associated with most rentals. A deposit is refundable when your lease is completed and the property is left in the condition agreed upon by both parties in the lease. Fees are non-refundable, and are often charged for processing of paperwork, background checks, etc.

Keep in mind your landlord most likely used a credit report to determine if you are eligible and capable of paying rent. Your credit report can be negatively affected if you are evicted or don't pay rent, but it will not be affected at all if you meet the requirements of your lease.

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What Can You Afford?

- **Before you begin to look**
  - ✓ **Create a budget**
  - ✓ **Typically 15% – 20% of total income for housing**
  - ✓ **Housing costs are more than just rent!**
- **Consider amenities you require**
  - ✓ **Furnished or Unfurnished?**
  - ✓ **Laundry facilities**
  - ✓ **Swimming pool**
  - ✓ **Fitness center**
  - ✓ **Other amenities???**

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Before you begin to look for a place to rent, it is important that you ***create a budget*** and decide how much you can realistically afford to pay for rent each month. Ideally, ***15 to 20 percent of your total income*** should go towards your housing expenses. Remember that housing expenses are ***more than just rent***, they include any utilities that you are responsible to pay, telephone, internet, cable and repairs and upkeep not covered by the landlord such as lawn care, etc. This will give you a good starting point, and help you to narrow your search to only places that are within your price range.

In determining what you can afford, you must consider is what qualities or ***amenities*** you will need and want in your new home. Some rental units are ***furnished***, meaning that some or all of the furnishings are provided by the landlord. This can include large items such as beds and couches (partially furnished) or everything including dishes, decorations, etc (fully furnished). Other units are ***unfurnished***, and you will need to provide everything that you require. Remember to consider availability of washers and dryers, laundry facilities, dishwashers, swimming pool, fitness centers and ***other amenities*** that may be important to you

How to Find Rental Units

- **Places to Start Looking**
  - ✓ **Newspapers and property magazines**
  - ✓ **online**
  - ✓ **Bulletin boards**
  - ✓ **Word of mouth**
  - ✓ **Property management services**
- **Realtors®**
  - ✓ **Provide several advantages**
  - ✓ **Your *most valuable resource* for property needs!**
  - ✓ **Smartest move when "It's Your Move!"**

When you are ready to begin your search for a rental unit, there are many ***places to start looking***. You may browse through ***newspapers***, ***property magazines*** or check out ***bulletin boards*** on campus or at community centers. You might also hear of places that are available through friends or family through ***word of mouth. Property management services*** will of course know of properties they manage that are available for rent.

Realtors® are an excellent source for finding rental property. Realtors® are often aware of many available rental properties, familiar with the local housing market and know the locations of specific properties which may best suit your needs. Realtors® are truly your best resource for your property questions and needs!

Developing a working relationship with a Realtor® is one of the smartest moves you can make when "It's Your Move!"

(***Note to Instructor:*** This is your opportunity to list any specific details regarding your services you can provide to attendees.)

Recommended Resource for Rental Property:

Name: ____________________________

Phone: ____________________________

Responsibilities

- **Landlords must provide a safe, sanitary, and habitable environment to their tenants.**
- **Tenants abide by the terms of the lease agreement.**
- **Guests follow the same rules as the tenant.**
- **Review the lease agreement to spell out terms for *improvements* and *utilities.***

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Both the landlord and the tenant have specific responsibilities that are outlined in the rental agreement. There are general responsibilities that are expected of all landlords and tenants, which are generally governed by individual state laws. ***Landlords are required*** to provide a safe, sanitary, and habitable environment to their tenants.

Tenants are expected to abide by the terms of the lease agreement, most importantly paying rent on time and taking care of the property you are renting. ***Guests*** are expected to follow the same rules as the tenant – this is usually included in the lease. Remember that as a tenant, you are ultimately responsible for the actions of your guests while they are on the property, so be careful who you invite over and what you allow them to do.

Some responsibilities may vary with each different unit and landlord, such as ***improvements and utilities***. The landlord may be required to make major improvements, while the tenant might be responsible for all utilities except for water and trash. Make sure to read your rental agreement carefully and clarify any questions with the landlord about responsibilities before the lease is signed.

If the landlord does not make the repairs and improvements that they are responsible for, you may have the option of withholding rent until the repairs are made. This is also known as escrowing rent. This is a specific process in which the tenant must provide written notice to the landlord outlining why rent is being withheld and what repairs need to be made. If you find yourself in this situation, it is best to seek help from a lawyer or tenant association as it is a legal process that varies from state to state.

It is a good idea to take pictures or video of the entire property before you take possession of it and have the landlord sign off that they have viewed the pictures. This will help to protect your security deposit in case there is a dispute over the condition of the property when you move out.

Your Rights

- **Fair Housing/Discrimination ensures equal housing opportunities for all Americans.**

  If you feel you have been discriminated against on the basis of race, color, religion, sex, national origin, age, disability, and familial status you may contact your state fair housing office.

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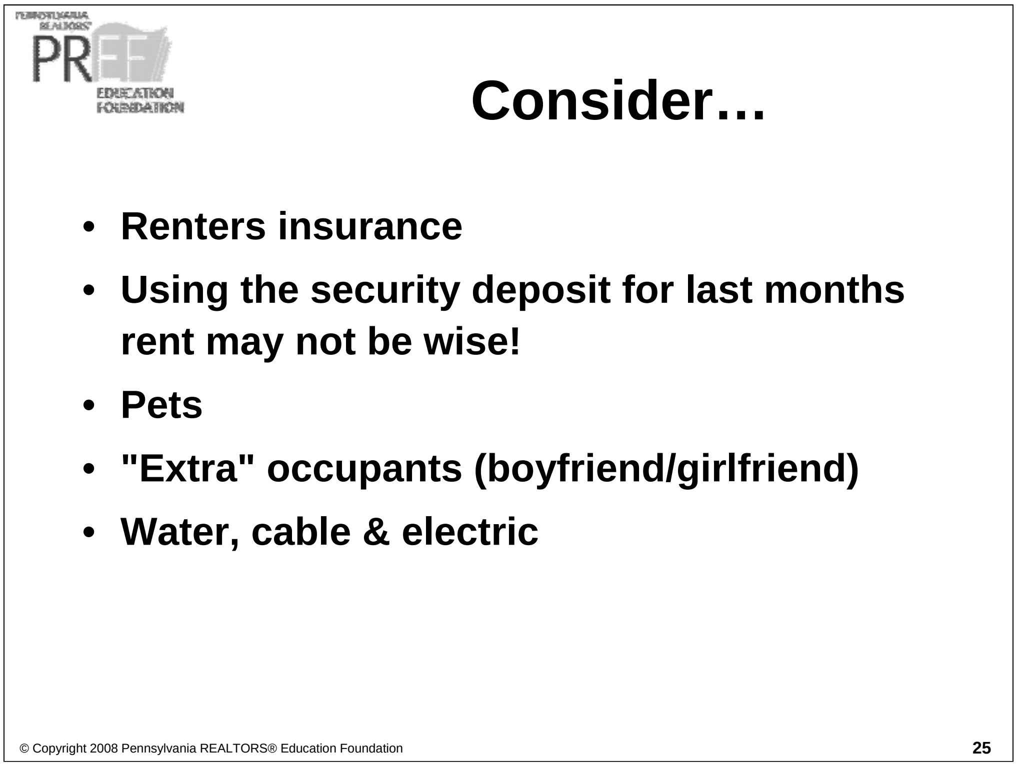
The ***Fair Housing Act*** is a government policy that ensures equal housing opportunities for all Americans. If you feel you have been discriminated against on the basis of race, color, religion, sex, national origin, age, disability, or familial status you may contact your state fair housing office.

If you have problems with your landlord or your rental, there are options depending on your location. There are tenant rights groups and tenant-landlord handbooks available to help determine your rights and best course of action. These groups can also be an advocate for you, should you need it.



Renters insurance is recommended for all renters. This type of insurance covers your personal property in case of theft or damage due to fire or flood. The insurance that the landlord carries on the property only covers the building and the property itself – you are responsible for your personal property.

Using the security deposit for last months rent may not be wise!

You may be tempted to skip paying your last months rent before you move out and let the landlord keep your security deposit instead. This could be considered non-payment of rent and could negatively affect your rental history. If the landlord decides to withhold part or all of your security deposit, you will then have an outstanding balance and may not be able to rent somewhere else until it is paid.

If you have ***pets***, or plan on getting one make sure you you're your lease and talk to your landlord. Pet policies should be outlined in the lease. Many landlords require an additional pet deposit and often pet rent (extra monthly rent for pet). There are usually restrictions on types of pets and specific breeds.

Be careful of **who stays over, and how often**. When you sign your lease, you and the landlord are agreeing on who is living in the rental unit. Extra occupants are not allowed unless they are added to the lease, and some leases limit the number of days a guest may stay without permission from the landlord. If someone is living with you who is not approved by the landlord it can be cause for eviction and can go on your rental record.

Some ***utilities*** such as water, cable, and electricity may be the responsibility of the tenant or they may be included in rent. Be sure to clarify what your responsibilities are before you move in.

Your landlord may require that you transfer the utilities to your name and have them turned on before you move in. If not, you will need to do this as soon as possible once you move. Your landlord will often have contact information for each of the companies you will need to use. Some utility companies may require a deposit depending on your credit history.

Your utility services can usually be transferred to a new property if/when you move, allowing you to keep the same account. Be sure to pay your utilities on time to avoid having them shut off or having negative information added to your credit report.

Extending or Terminating a Lease

- **"Extending the lease" allows you to continue to live in the property.**
- **"Termination" is when the lease ends and is not renewed.**
  - ✓ **Always provide written notice to terminate**
  - ✓ **You may be allowed to sublet the property**
  - ✓ **Eviction is what you do NOT want to happen**
  - ✓ **Always review carefully your *terms for breaking the lease* in your original agreement.**

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When your lease is reaching the end of its agreed upon time you may wish to continue to live in the property and negotiate to ***extend the lease*** with the landlord. Or, if you are ready to leave your rental you may allow the lease to expire and plan to be moved out of the property on the day of expiration. Many property managers or landlords will work with you to vary lease expirations to coordinate your move to another property if you have been a good renter. But, you still have to pay if you stay beyond the original expiration date!

If your lease has come to its end and you choose not to renew it, this is called ***termination*** of the lease. You are still required to ***notify the landlord in writing*** that you intend to terminate the lease. Be sure to check your lease to make sure you give the landlord the proper notice before terminating your lease. Some landlords may charge you a higher "month to month" rent for the following month if you don't give enough notice.

If your lease is not over, you may be able to rent the property to someone else – this is called a ***sublet***. Make sure to check with your landlord first, not all leases allow subletting.

If you are forced to leave by the landlord, this is considered an ***eviction***. You may be evicted for a cause such as nonpayment of rent or breaking the terms in the lease. The landlord may also choose to evict you "without cause" for their own reasons. For example, the landlord may choose to sell the property to someone who does not wish to rent it out. An eviction is generally a legal process, and the landlord is required to give adequate notice of the eviction as defined by law.

There is usually a section in the lease that gives the ***terms for breaking the lease***. This creates an agreement between the tenant and the landlord to allow the lease to be terminated early. You are usually required to pay some type of penalty such as paying rent until a new tenant is found or forfeiting your security deposit.

Summary

- ✓ ***To rent means that you sign a written agreement stating:***

  you will pay a certain amount of money for the privilege of being able to live in the property you rent.

- ✓ ***Ask yourself questions about what type of rental property you need***
- ✓ ***Use a Realtor® to help with your rental decisions***
- ✓ ***Know your responsibilities!***
- ✓ ***Understand how to terminate or extend your lease.***

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Let’s review what we have discussed in this first module on renting a home or apartment: (Provide a review of each topic.)

1. To rent means that you sign a written agreement stating you will pay a certain amount of money for the privilege of being able to live in the property you rent.
2. Ask yourself questions about what type of rental property you need
3. Use a Realtor® to help with your rental decisions
4. Know your responsibilities!
5. Understand how to terminate or extend your lease.

Module 3: Financing

In this module you will learn:

1. **The need for a budget.**
2. **The differences between income and expenses and, an asset and a liability.**
3. **How to determine what you can afford.**
4. **Understanding loan interest.**
5. **The importance of saving for a down payment.**

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Introduce the learning objectives for Module 1:

1. The need for a budget.
2. The differences between income and expenses and, an asset and a liability.
3. How to determine what you can afford.
4. Understanding loan interest.
5. The importance of saving for a down payment.

Budget

- **Create a budget**
  - ✓ **Learn to manage it**
  - ✓ **Learn to follow it**
  - ✓ **Break it down into monthly units**
- **Following a well-planned budget:**
  - ✓ **help you to keep track of and limit your spending**
  - ✓ **set goals**
  - ✓ **be prepared for emergencies and**
  - ✓ **be financially disciplined throughout your lifetime**
- **Seek out and find budgeting resources**

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If you haven't already done so, it is important for you to create a budget and learn to manage and follow it. Following a well-planned budget will help you to keep track of and limit your spending, set goals, be prepared for emergencies and be financially disciplined throughout your lifetime.

Usually, budgets are broken down into monthly units.

There are many resources to help you create the budget that is best for you, but there are some things that are standard in all budgets. Seek out and find budgeting resources that work for you!

Income and Expenses

- **Income is the money that you bring home**
  - ✓ **from employment**
  - ✓ **a monthly allowance**
  - ✓ **Put 2-10 percent of your income in savings each month**
- **Expenses are what you spend money on**
  - ✓ **Housing**
  - ✓ **Food**
  - ✓ **Transportation**
  - ✓ **bills and entertainment**

Keep track of, plan and prioritize your expenses!

Income is the money that you bring home from employment or other sources, such as a monthly allowance from parents or a college fund, throughout the month. It is recommended that you use 90-98 percent of your total monthly income towards your budget, and put 2-10 percent of your income in savings each month.

Expenses are anything that you spend money on. This includes housing, food, transportation, bills and entertainment. Ideally, you should budget 15 to 35 percent of your income on housing expenses, depending on whether you are renting or purchase a home. The best way to budget all of your monthly expenses is to keep track of everything you spend money on in a month, and then prioritize what is important and plan your budget accordingly. This will help you to recognize little things that add up, such as daily trips to the coffee shop, which can have a drastic effect on your overall budget if they are overlooked.

Assets and Liabilities

- An ***asset*** is something that you own that has value.
  - ✓ Cash
  - ✓ Savings account or
  - ✓ Property
- A ***liability*** is something that costs you money
  - ✓ Debts
  - ✓ Rent
  - ✓ Car payments

Read: *"Rich Dad Poor Dad"* by Robert T. Kiyosaki

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What is an asset?

An asset is traditionally considered something that you own that has value. This could be cash, a savings account or property. Remember that values of assets that aren't monetary, such as property or a car, can change over time. The value is not what you paid for it, but what it is worth to someone else.

What is a liability?

A liability is something that costs you money. Examples of liabilities are debts and other financial obligations such as rent or car payments.

Recommend reading the book: *Rich dad/Poor Dad* by Robert T. Kiyosaki for a better understanding of assets and liabilities.

Assets and Liabilities

- **Assets are what earn you income**
  - ✓ **Rental properties**
  - ✓ **Stocks**
  - ✓ **Bonds**
- **These are Liabilities – not Assets! They cost money for upkeep and do not provide income**
  - ✓ **The home you live in**
  - ✓ **Automobiles**
  - ✓ **Recreational vehicles**
  - ✓ **Widescreen TV’s**

When does an asset become a liability? Rich Dad/Poor Dad book by Robert Kiyosaki

One viewpoint on assets and liabilities is found in the financial book, Rich Dad Poor Dad. The book suggests that “rich” people have a different outlook on finances and assets/liabilities than do “poor people”.

According to the author, rich people consider assets anything that earns them income. These could be rental properties, stocks or bonds. What many people would consider assets are actually considered liabilities by those who are rich because they cost money and don’t generate any income. Examples of these are the home you live in, widescreen TVs and recreational vehicles – even if you paid cash for them, they are not generating you any income and cost money to upkeep. By spending money on “assets” that are actually liabilities, poor people tend to stay poor. If you choose to invest your hard-earned money wisely in assets such as stocks or rental properties instead of buying lots of “toys” like TV’s or stereo equipment, you will find that your money goes much farther.

What can you afford?

- Create a well planned and accurate budget
- Renting is a short-term commitment
- Purchasing a home is a long term commitment and you will need:
  - ✓ a steady and reliable form of income
  - ✓ self discipline in sticking to your budget
- Spend no more than 30 percent of your income on housing expenses
  - ✓ mortgage payment, insurance and utilities

What can you afford?

Before you decide to make a big purchase, such as a home, you will need to create a well planned and accurate budget to help you decide how much you can afford. Renting a home or apartment is a commitment for a specified period of time – usually fairly short-term. Purchasing a home is a long-term commitment; so you will need a steady and reliable form of income and you will have to be very self disciplined in sticking to your budget. A general recommendation for budgeting is that you spend no more than 30 percent of your income on housing expenses – this includes your mortgage payment, insurance and utilities.

Bank Accounts

- **Remember to *open a bank account***
- **A debit or check card allows you to withdraw the money from the account to directly pay for items and services**
- **A credit card is tied to a line of credit**
  - **No money previously deposited**
  - **The credit card company loans you the money**
  - **You must pay the amount charged plus interest**
  - **Use only for emergencies!**

Remember to *Balance your Checkbook!*

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Remember to open a bank account. (This ties back into the credit module).

Debit/check cards v. credit cards

Although debit or check cards and credit cards may appear to be similar, they each work very differently. It is important that you understand these differences, so that you can decide when it is appropriate to use one or the other. A debit or check card is generally tied to a bank account where you keep your money. The debit/check card allows you to withdraw the money from the account to directly pay for items and services. On the other hand, a credit card is tied to a line of credit which has no money previously deposited. The company that issues you the credit card is essentially loaning you the money to purchase items or services, and you are paying them back at a later time. Unless you pay off the entire balance of what you have charged to the credit card each month, you will be expected to pay interest on your purchases. The interest rate you pay can vary greatly depending on your individual situation and the credit card itself.

It is in your best interest to use credit cards only for emergency situations, or for large purchases that you are willing to pay a fair amount of interest on. You don't want to still be paying for that $5 meal at McDonalds in 5 years, (remember that in 5 years that meal will have cost you much more than $5 when you have added in the interest). Use of credit cards to spend money beyond what you have in your budget can create a vicious cycle that is very hard to get out of. Follow your budget closely, and use debit cards the same as you would a paper check – to spend money that you already have.

Balancing checkbook - how much $ do you really have?

Once you have a checking account, it is important that you take time to balance it on a regular basis. Just looking at the current balance online or in your statement does not give you an accurate picture of how much money you actually have. It takes time for deposits, checks and debit card transactions to clear your account so it is possible for you to spend more money than you actually have, causing checks and card transactions to be returned and costing you quite a bit of extra money in non-sufficient funds charges.

How does loan interest work?

- ***Interest*** **is a charge for borrowing money**
- **Two types of interest**
  - ✓ ***Simple interest*** **is calculated once and you pay a set amount of interest each year**
  - ✓ ***Compound interest*** **is recalculated periodically and you pay less and less towards interest during the life of your loan**
- **If possible:**
  - ✓ **choose a 15 year loan and,**
  - ✓ **make pre-payments towards your principal**

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How does interest work?

Interest is a charge you have to pay for borrowing money.

Simple v. Compound

There are two types of interest you will find on fixed interest rate mortgages - simple and compound. Simple interest is calculated once, at the start of the mortgage and so the interest is calculated using the original loan amount. For example, on a $100,000 mortgage with 9% interest you would pay $750 a month in interest ($9000 a year) throughout the life of the loan.

On the other hand, compound interest is recalculated periodically to take into account the outstanding principal balance. So, at the beginning of the loan a large portion of your monthly payment is going towards interest while very little is going towards the principal. However, as you pay down your loan, gradually you will pay more and more towards the principal and less towards interest.

Most mortgages use compound interest. If you can afford it, you will save a significant amount of money by either choosing a 15 year loan or making pre-payments towards your principal. Otherwise you may end up paying twice as much in interest as the original loan amount.

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Saving for a down payment

- **A down payment**
  - ✓ **An amount of money you pay**
  - ✓ **Is paid at the beginning of the loan, and**
  - ✓ **Demonstrates your commitment to the purchase**
- **The average down payment is around 20%**
  - ✓ **Plan to pay anywhere between 3% and 20%**
- **Always strive to save the most amount of money possible for a down payment**
  - ✓ **You will be glad you did!**

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Saving for a down payment

A down payment is an amount of money you pay, as cash, at the beginning of the loan to demonstrate your commitment to the purchase. A down payment is expressed is a percentage of the total purchase price. For instance, if 10% down is required on the purchase of a $100,000 dollar home; then, you would have to pay $10,000, (10% of $100,000), at the beginning of the loan. Down payments, then, can be a sizable amount of money. However, to the lender, a down payment demonstrates a borrowers ability to save money, use it wisely and, that there is a reasonable commitment to pay for the property.

Generally speaking, a larger down payment made by the borrower means less interest to be paid, lower fees and more likelihood the borrower will be approved for the loan.

The average down payment on a mortgage is around 20 percent – you should plan to pay anywhere between 3 and 20 percent down. Although low and no down payment loans may seem like a good option, they often come with high interest rates, additional fees and usually require additional insurance payments every month. These loans may also come from less than credible lenders. Paying a down payment will also decrease the amount of interest you pay in the long run because you are financing a smaller amount. Always strive to save the most amount of money possible for a down payment. In the long-run, you will be glad you did!

Summary

- ***Income*** **is the money that you bring home**
- ***Expenses*** **are what you spend money on**
- **An *asset* you own that has value**
- **A *liability* costs you money**
- **Spend no more than 30% of your income on housing expenses.**
- **Start saving for a down payment!**

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Let's review what we have discussed in this first module on renting a home or apartment: (Provide a review of each topic.)

Creating, managing, maintaining and following budgets must be done.
Income is the money that you bring home – *Expenses* are what you spend money on
An *asset* is something that you own that has value – A *liability* is something that costs you money
Spend no more than 30% of your income on housing expenses.
Open a bank account, start saving for a down payment!

Module 4: BUYING A HOME

In this module you will learn:

1. **The purpose of a mortgage loan.**
2. **The different types of mortgage loans.**
3. **Why predatory lending is bad for consumers and what you need to know.**
4. **The types of insurances used when buying property.**
5. **The basic steps in buying a property.**

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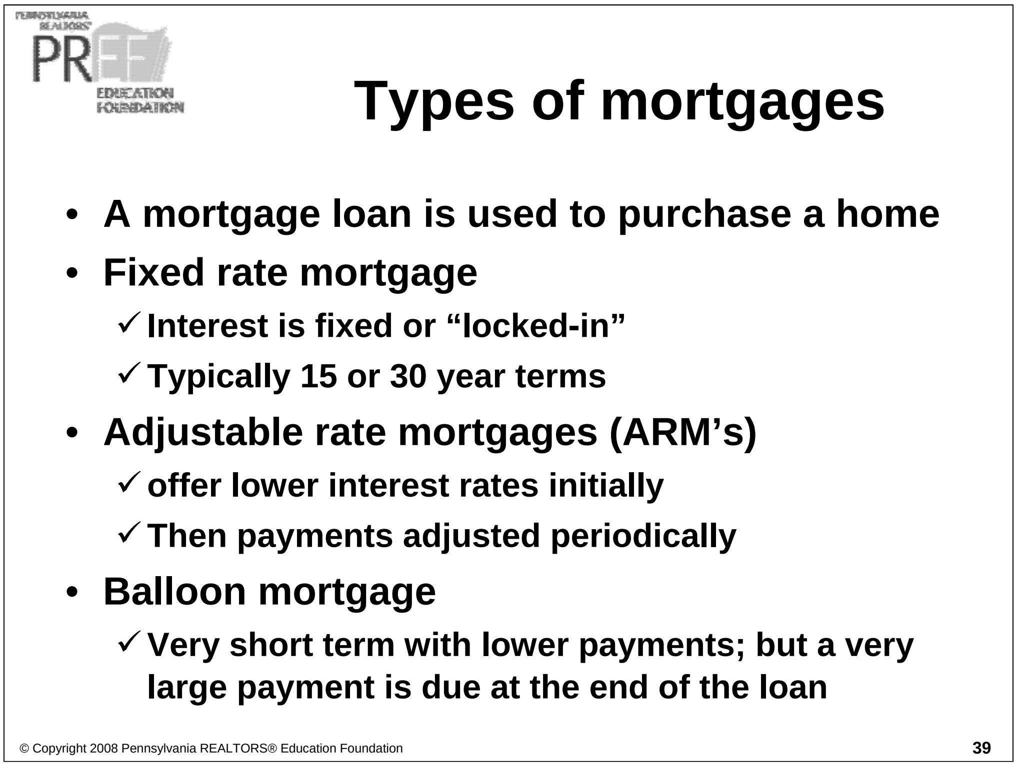
BUYING A HOME

Buying a home can be a complicated process. Before you get started, it is important that you do some research and decide what the best options for you will be.

In this module you will learn:

1. The purpose of a mortgage loan.
2. The different types of mortgage loans.
3. Why predatory lending is bad for consumers and what you need to know.
4. The types of insurances used when buying property.
5. The basic steps in buying a property.



A mortgage loan is a loan specifically used to purchase property, such as a home.

Types of mortgages

Though, there are many different types of mortgages available to you as a homebuyer, the most common types are the fixed rate, adjustable rate (ARM), and balloon mortgages.

Fixed rate mortgages are what most people think of when they think of home loans. The interest rate on fixed rate mortgages is locked in when the loan is created. Fixed rate mortgages have a term of 15 or 30 years. 30 year mortgages generally have lower monthly payments but cost more in the long term because the interest rates are higher. 15 year mortgages have higher payments, but help build equity faster because the interest rate is lower. Which option is better is up to you, and depends on your financial situation and future plans.

Adjustable rate mortgages, or ARM's, generally offer a lower interest rate for the initial period of the mortgage (up to 10 years). After the initial period, both the interest rate and your payment increase and are adjusted on a regular basis. These types of loans are best if you aren't planning on staying in your house past the initial low-interest period, or if you need lower payments now but will be able to afford higher payments at a later time.

Balloon mortgages are mortgages with a very short term, such as 7 years. However, the payments are lower because the interest and principal are spread out over a 15 or 30 year term to calculate the payments. Once the end of the term is reached, you have the choice to either pay off the outstanding balance with a lump-sum payment or to refinance the remaining amount. If you choose to refinance, you have to meet the lenders specific requirements. Balloon mortgages are a good option if you plan on selling your house by the time the balloon expires.

With the increasing number of different types of loans available, all of the information can be very confusing. Before you try to choose, make sure you have set long term and short term goals and ask for help from a trusted financial professional.

Predatory lending

- “Predatory lending”
  - ✓ describes an unfair lending practices used by some lender
  - ✓ Tries to take advantage of consumers
  - ✓ Lenders are aggressive in their offers
- Directed towards those who might not qualify for traditional financing
- Always use a reputable lender
  - ✓ Read all of the fine print
  - ✓ Ask for clarification
  - ✓ Work with your Realtor® to obtain the best loan

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Predatory lending

One thing to watch out for as a first-time homebuyer is predatory lending. Predatory lending is a term that is used to describe the unfair lending practices used by some lenders who try to take advantage of consumers. These lenders are generally aggressive and will offer loans and refinancing to people who might not otherwise qualify for traditional financing. Unfortunately, these loans are offered with high interest rates and fees and often include additional costs that may not be obvious until it is too late. When you are searching for financing, make sure to use a reputable lender and read all of the fine print. Ask for clarification if there is something you don’t understand, or have someone, such as your parents, who has been through the process before help you look for your financing. Always remember, if it looks too good to be true it probably is.

Insurance

- **Homeowners insurance provides you with financial protection in case of a disaster**
- **Mortgage insurance guarantees that your mortgage will be paid off in the event of your death, disability or incapacitating disease**
  - ✓ **You may not need this – talk to an insurance agent to determine your specific needs**
- **Private mortgage insurance (PMI) protects the lender in case you do not make your payments**

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Insurance

If you are financing your home, your lender will require you to carry homeowners insurance. Homeowners insurance provides you with the financial protection in case of a disaster. However, homeowners is not the only type of insurance you may need or want to have.

Mortgage insurance is insurance that guarantees that your mortgage will be paid off in the event of your death, disability or incapacitating disease. This type of insurance is not required, and generally not necessary if you have a life insurance policy. It is best to talk to an insurance agent to determine your specific insurance needs.

Private mortgage insurance (PMI) is insurance that protects the lender in case you do not make your payments. PMI is usually required by lenders on low or no down payment loans because these types of loans carry a higher risk of not being repaid. If you only have enough saved to make a small down payment, your lender will be more willing to offer you a loan when you have private mortgage insurance. If you are looking for low or no down payment loans, keep in mind that you will most likely be paying an additional amount each month for PMI.

If you decide to purchase a condo, you may need two separate policies. One policy will be your own personal insurance, which covers your personal property. The condo association will also require their insurance to cover the common areas that you share with other residents in your complex.

Money Issues When Buying a Home

- **Closing Costs**
  - **Paid by the borrower**
  - **Are in addition to the down payment to close a loan**
- **Typical Closing Costs include**
  - ✓ **Title insurance premiums**
  - ✓ **Appraisal fees**
  - ✓ **Points**
  - ✓ **Lender fees**
  - ✓ **Others**

Closing Costs paid by the borrower in addition to the down payment to close a loan, including title insurance premiums, appraisal fees, points lender fees and others.

As a buyer you must be aware of the closing costs since these are costs you will incur. Your Realtor® or lender will review these costs with you prior to closing the loan.

How to buy

1. **Get your finances in order**
2. **Determine your wants and needs**
3. **Get pre-approved for a mortgage**
4. **Find a Realtor® and discuss your plans**
5. **Start searching for a property**
6. **Research the property you would like to buy.**
7. **Using your Realtor’s advice, make an offer!**
8. **Complete all inspections and last minute items.**
9. **Complete the "Closing”**

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These are the basic steps in deciding to purchase a home. Each step can be further broken down and can be quite involved.

- Get your finances in order
- Determine your wants and needs
- Get pre-approved for a mortgage
- Find a Realtor® and discuss your plans
- Start searching for a property
- Research the property you are would like to buy.
- Using your Realtor’s advice, make an offer!
- Work with your Realtor® to make sure inspections are completed and all last minute items taken care of.
- Complete the "Closing”

Summary

- **Mortgage loans are used to purchase property.**
- **Different types of mortgages are available; work with your Realtor® to find the one best for you.**
- **Don’t be tempted by predatory lenders!**
- **Familiarize yourself with the different types of insurance you may need and discuss with an insurance agent.**
- **Discuss the basic steps in buying a home with your Realtor®.**

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Provide a review of each topic:

Mortgage loans are used to purchase property.

Different types of mortgages are available; work with your Realtor® to find the one best for you.

Don’t be tempted by predatory lenders!

Familiarize yourself with the different types of insurance you may need and discuss with an insurance agent.

Discuss the basic steps in buying a home with your Realtor®.

Summarize the training:

Whether deciding to rent a home or apartment – it will be an exciting time. Among the most important steps you will take is to work with a Realtor® who can answer your questions and help meet your needs.

You’ve got lots of work to do. You must first establish your credit. This is true whether you decide to buy or rent an apartment or a home. As you move from renting towards buying a home; learn all you can about financing. Then, with the help of your Realtor® spend time completing the steps towards closing on that purchase.

Remember: “It’s Your Move!”