

## HOME BUYING 101 – OUTLINE

Always encourage your students to take notes. Also, remember to leave yourself 5 minutes before the end of class to go over the post-test and collect them!

➤ **Making a connection | 2 minutes**

1. Introduce yourself: Name, employment or volunteer work, and why this topic is important.

➤ **Begin class | 3 minutes**

Before opening the book write **Home buying** on the board.

1. Next, ask students to show thumbs up if one of their dreams is to own a home. Ask a couple of volunteers why owning a home is so important for many people.

➤ *Instruct students to turn to page 2 in their books*

I. **Are you ready to buy a home? | Page 2 | 5 minutes**

1. Have a student read aloud the first two sentences of the first paragraph.
2. Together complete the exercise on page 2 by first listing the top five reasons why people buy a house and then 5 reasons why they don't.
3. Write a few of the responses on the board and encourage students to write answers in their books.

A. **Benefits of Home Ownership | Page 2 | 5 minutes**

1. Ask for volunteers to read aloud the headings of line numbers 1-3 on pages 2 & 3, and after the student reads each heading, briefly summarize the main idea.
2. When discussing line number 2 write the term **home equity** on the board and have students repeat it after you. You read the definition provided and then use the following example only writing the dollar amounts on the board.
  - If you buy a home for \$ 180,000 and three years later the home is worth \$ 200,000, how much equity has been built? (**\$ 200,000 - 180,000 = 20,000**)

B. **Realities of Home Ownership | Page 3 | 5 minutes**

1. Ask if someone is a homeowner or has been in the past. If so, ask them for their opinions in regards to their experiences owing a home. If not, invite students to share their thoughts about the responsibilities that come with owing a home.
2. After two or three responses, continue with the realities of home ownership by summarizing the headings of lines 1-4 on page 3.
3. Important - when discussing line number 2, emphasize the importance of **property taxes & home insurance** by writing the terms on the board.
  3. a. Explain that property taxes vary depending on the area and size of the home. For example property taxes for a 250,000 home in Hillsborough County could be \$2,880.
  3. b. Encourage students to visit their county appraiser office on-line to estimate their property taxes on their new home.



- Pinellas = pcpao.org
- Hillsborough = hcpafl.org
- Pasco = pascopa.com



(This information is not in the book)

**C. Renting vs. Owning | Page 4 | 5 minutes**

1. Ask students to raise their hands if they understand the difference between renting and owning a home. Ask for a few examples.
2. Instruct students to turn to page 4 and have them read on their own a few of the differences in the table. Give student a couple of minutes to read.
3. After, ask for a few volunteers to share what they learned.
4. Ask students, after having read the differences, which they would prefer renting or owning.

**D. Upfront Cost of Homeownership**

1. Briefly summarize letter D on the bottom of page 4.

**E. Fill in the blank activity | Page 5 | 10 minutes**

1. Bring students attention to the word bank provided on the top of page 5, read the words one by one and have students repeat them after you. This is just to get students familiar with the vocabulary. Learning what these terms mean is next.
2. Read aloud lines 1-6 one at a time. Give students 10-15 seconds to look at the word bank in their books and try to identify the corresponding term. Remind them to look closely at the number of blank spaces to help them figure out the answer.
3. Write the correct word(s) on the board and encourage students to do the same on their books.

**F. Are you ready?**

1. Show students the table on page 6 and encourage them to do the exercise at home to determine if they are ready to buy a home.

**II. Before You Shop | Page 6 | 10 minutes**

1. Ask the class to brainstorm and share 5 things that people must do before shopping for a house.
2. Write a few responses on the board, and then have students look at the bottom of page 6.
3. Ask for volunteers to read aloud the headings A-C and compare their answers on the board with the ones in their books.
4. When you arrive at letter D ask students if they have ever heard of a first time home buyer class.
  4. a. Ask a volunteer to read aloud letter D
  4. b. Explain that page 15 of their books has various websites and contact information for first time home buyer classes.



### III. People to Help You Buy a Home | Page 7 | 10 minutes



1. Ask students if they won the lotto and had the money to buy the house of their dreams who they would seek for professional help. Write the responses that are correct on the board. After a few responses, ask students to turn to page 7.
2. Ask for a volunteer to read aloud the top paragraph.
3. Summarize the roles describes in the table on page 7.
4. **Exercise:** Read the following statements and ask the students to show thumbs up if they agree or thumbs down if they disagree. **(This activity is not in the student book)**
  - To get a loan to buy a house I need to talk to a mortgage lender **(Thumbs up)**
  - To know if something is wrong with the house I want to buy, I would hire a real estate agent **(Thumbs down)**. Next ask who should they hire **(home inspector)**
  - I want to protect my property in case of a hurricane or fire I would talk to an insurance agent. **(Thumbs up)**.
5. Instruct students to look at the pictures at the bottom of page 7 and explain these are the proper order of steps involved in buying a home. **(This is a Post-course question).**



### IV. How Much Can I Afford? | Page 8 | 15 minutes

1. Have students look at the pictures of the two houses on the top of page 8 and ask which they would rather purchase.
2. Next, have a student read aloud the first paragraph.
3. Ask students if anyone has been pre-approved, if yes, ask them to share some of the experiences. Then, reiterate how important this step is for buying a home, and remind students that meeting with a mortgage lender is the first step because they provide the pre-approval letter.
  - If not, have a student read aloud the paragraph under letter A.
4. Next, summarize the key points under letter B and explain that these documents are usually required by your mortgage lender that is why it is important to keep good records.
5. Summarize letter C.
6. **Exercise:** Instruct students to turn to page 9 and identify in the pre-approval sample letter the following:
  - *Who is the mortgage lender (imortgage)*
  - *What is the sales price for the house (\$349,000)*
  - *What is the amount of the borrowers down payment? (\$12,215).*
  - *For how much were they pre-approved? (\$340,152)*
7. Write the words Loan To Value (LTV) on the board and have students repeat after you. Direct the students to the highlighted box within the letter. Next, read the paragraph under letter D aloud.
  7. a. After reading, return to the letter and show that the down payment of 12,215 is 3.5 % of the sales price and that the lender will loan 96.5% LTV of the sales price.



V. **Know Your Loan Options. | Page 10 | 10 minutes**



1. Have students turn to page 10. Emphasize the three elements to consider when applying for a home loan: Mortgage type, loan terms, and interest rate types.
2. Summarize the definitions of mortgage types; however, read the advantages and disadvantages of FHA and conventional loans (**Post Mortgage Insurance-PMI is a post course question**)
3. Summarize sections B & C
  3. a. Emphasize that fixed interest rate is the way to go.
4. Present students the following case scenario and invite their opinions. A friend was approved for a FHA loan, with a fixed interest rate of 4.5%, to be paid in 15 years. What are some advantages and disadvantages in this case? (i.e., probably higher monthly payments than a 30 year loan, interest rate won't change, FHA requires PMI payment, These are the key take aways to share if not spoken )



VI. **You've found the home you want ...Now What? | Page 11-12 | 8 minutes**



1. Have students turn to page number 11. Explain that this section will walk them through, step by step, the process of purchasing a home.
2. Ask for different volunteers to read aloud the headings 1-3 and the first two sentences of each paragraph under each heading. You may want to highlight specific information if needed.
3. Read aloud heading 4 about getting an appraisal and explain the example provided.
4. Have students continue reading headings 5 and 6 and the first two sentences.

VII. **Now You are a Homeowner | Page 12 | 5 minutes**



1. Ask students if they were new homeowners what they believe would be important to do:
  - a) Decorate the house with new furniture
  - b) Postpone new debt.
  - c) Both. Ask students to explain their responses.
2. Instruct students to view the table on page 12 and ask for different volunteers to read aloud the five recommendations.
3. Ask the class if they have any questions about information covered in class.

**Now the class is almost finished. Have the students turn to the last page of the book and complete the Post Test Survey. Read the questions aloud and read through the answers. When the students are finished have them tear off the sheet and hand it in to you. Then place them and the sign in sheet into the class folder.**

