



www.dre.ca.gov

Online Resources

California Department of Real Estate
www.dre.ca.gov

California Financial Literacy
www.californiafinancialliteracy.org

U.S. Department of Housing and Urban Development
www.hud.gov

Internal Revenue Service
www.irs.gov

California Department of Financial Institutions
www.dfi.ca.gov

California Office of Real Estate Appraisers
www.orea.ca.gov

California Association of Realtors®
www.car.org

California Community College Real Estate Education Center
www.ccsf.edu/reec

You NEED to Know...

How to Interview Your Real Estate or Loan Professional...

Hiring a professional to help you with the purchase of your home can be a daunting task. Here are a few helpful tips on how you can be sure the person you work with is reputable and has a high standard of ethics.

- Ask to see a copy of his or her Real Estate License, as well as the name and contact information of his or her Broker/Manager.
- Request a copy of his or her Error & Omissions Insurance policy (recommended, not required).
- Confirm his or her Real Estate License is active by checking the status on www.dre.gov.
- Ask to view a copy of his or her resume, as well as any referral letters they may have from past clients. This will help you better understand the professional's background, knowledge, as well as how they have treated his or her past clients.
- Find out if he or she hold any additional professional designations, titles, or professional membership positions.



How to Calculate Your Debt Ratio...

Understanding your debt ratios is a key factor in figuring out the purchase price you can qualify for.

\$900 PITI		
+ \$100 HOA DUES		
= \$1,000 Total Housing Payment		=25% Front
\$4,000 Gross Monthly Income		
\$150 Credit Card Payment		
+ \$250 Auto Loan		
+ \$100 Student Loan		
+ \$1,000 Housing Payment		=37.5% Front
= \$1,500 Monthly Payments		

Financial Sense to White Picket Fence

FREE CURRICULUM

The Financial Literacy Course includes:

- Four 90-Minute Sessions on:
 - Budgeting
 - Borrowing
 - Buying
 - Beyond
- Lectures by Chris Sorenson, Homeownership Education Learning Program (H.E.L.P)
- Spanish Translation Available
- *Financial Sense to White Picket Fence* Course book available online Fall 2011

To View Your Free Course Curriculum please go to: www.dre.ca.gov or www.californiafinancialliteracy.org



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Financial Sense to

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State of California Department of Real Estate

Financial Literacy

Reference Guide

FREE: Financial Literacy Course Materials, Webinars and other Resources available at www.dre.ca.gov

(Disponible en Inglés y Español)

Budgeting Tips

- A budget outlines an individual's or family's financial goals and should be reviewed on a yearly basis, be realistic and sustainable.

Example Monthly Budget:

Income: Borrower I \$5,500 (before tax)
Borrower II \$3,000 (before tax)

Total Income: \$8,500 (before tax)

Expenses: Mortgage \$2,325
Car \$250
Insurance \$225
Utilities \$240
Food/Entertainment \$300
Gas \$150

Total Expenses: \$3,490

- Ideally, total expenses should not exceed more than 41% of your total pre-tax income.
- Free online budget worksheet and resources:
www.californiafinancialliteracy.org
www.freehomeownershiphelp.org

TRY THIS!

DO YOU HAVE A HANDLE ON YOUR MONTHLY BUDGET?

Expenses can total more than you estimate. For example, food and entertainment costs are often underestimated. Keep all of your food and entertainment receipts in a designated envelope. Mark on the envelope how much you GUESS you spend per month on this category. Collect all food/entertainment receipts for 30 days, keeping them in the labeled envelope. After 30 days have passed, tally up the receipts and see where you stand. You may be surprised to see the results!

About Borrowing

- Know your buying power before you look at homes.
- Get your loan preapproved.
- Mortgage Payments can consist of:
 - PITI (principal, interest, taxes, and insurance)
 - HOA dues
 - Monthly Mortgage Insurance
- Ask for your loan professional to review the Automated Loan Approval with you. This should be carefully examined prior to getting into a contract so there are no surprises come escrow time.
- Learn about home buying programs offered in your area: www.hud.gov/local/ca/homeownership/buyingprgms.cfm
- Documentation requests from your Lender may include:
 - Most recent 30 days paystubs
 - 2 years W2 forms and Tax Returns
 - Most recent 60 days bank statements
 - 2 forms of valid identification
 - Letters of Explanation for credit lates, judgments, or bankruptcy
 - Social Security/Pension Award Letters

Important Financial Acronyms to Remember During the Buying Process...

PITI: Principal, Interest, Taxes, Insurance

HOA: Home Owner's Association

AUS: Automated Underwriting System

LTV: Loan-to-Value

DTI: Debt-to-Income

GFE: Good Faith Estimate

LOE: Letter of Explanation

DRE: Department of Real Estate

HUD: Housing and Urban Development

Buying A Home

- Before your home search begins, create a list of home features and attributes that you are looking for in a home.
- If you are considering a home with Property Tax Special Assessments, have your Loan Professional re-analyze your qualifications to ensure you are approved for the higher monthly payment.
- Read the contract and do not sign anything you do not understand. If English is your second language, request a neutral interpreter.
- Get all agreements in writing. Hand shakes don't count!
- Create a home buyer calendar with your real estate agent, making note of important dates such as:
 - Appraisal Inspection
 - Pest/Home Inspection
 - Loan Document Signing
 - Closing Date
- Make an effort to be present at the appraisal, pest, and home inspections.
- Don't wait until the last minute to research insurance. Common types of insurance are fire, flood, and earthquake.
- Always request copies of important reports and documents:
 - Credit Report
 - Appraisal Report
 - Termite/Home Inspection
 - Loan Documents
 - Purchase Agreement
 - Estimated Closing Statement
 - Do not sign blank documents!

Beyond the Close

- Estimate 1.75% of your purchase price for annual property maintenance and general upkeep. *Avoid deferring property maintenance or it will end up costing you more in the long term!*
- Create a list of general upkeep items to include in your annual budget, such as:
 - House Painting or Fence Staining
 - Air Filters
 - Carpet/Floor Cleaning
 - Lawn Fertilizer & Plantings
- Subscribe to your City's newsletter and stay up to date on local legal updates and events.
- Get involved in your community and volunteer time by helping out a local:
 - Library
 - Animal Shelter
 - Community/Senior Center
 - Neighborhood Watch Group
- Attend HOA meetings to know what is happening in your neighborhood.

