



SOS 1040 PLUS, LLC

**GOING FROM SECTION 8  
TO  
HOME OWNERSHIP**



**#MONEYMONDAYS  
APRIL 2, 2018**

# TONIGHT'S TAX TIP

## FIRST-TIME HOME BUYERS CREDIT

- The FTHBC is no longer available to new purchases
- Mortgage must be originated during April 9, 2008 – April 30, 2010
- Must be your primary home
  
- What happens if I sell my home or move out of it (no longer your primary home)?
  - Must report the sale on IRS Form 5405 in the year of the sale.
  - IRS actively searches records for homes sold against tax payers that received the credit.
  
- Repayment Triggers and Information
  - [Visit the IRS](#) for details on repayment requirements

# HUD.GOV HOMEOWNERSHIP PROGRAM

- [Click here](#) to get information for your state.
- **What families are eligible to apply for homeownership vouchers?**  
Families must meet these requirements:
  - First-time homeowner or cooperative member.
  - No family member has owned or had ownership interest in their residence for at least three years.
  - Except for cooperative members, no member of the family has any ownership interest in any residential property.
  - Minimum income requirement. Except in the case of disabled families, the qualified annual income of the adult family members who will own the home must not be less than the federal minimum hourly wage multiplied by 2,000 hours. For disabled families, the qualified annual income of the adult family members who will own the home must not be less than the monthly federal supplemental security income (SSI) benefit for an individual living alone multiplied by 12. The PHA may also establish a higher minimum income requirement for either or both types of families. Except in the case of an elderly or disabled family, welfare assistance is not counted in determining whether the family meets the minimum income requirement.
  - Employment requirement. Except in the case of elderly and disabled families, one or more adults in the family who will own the home is currently employed on a full-time basis and has been continuously employed on a full-time basis for at least one year before commencement of homeownership assistance.
  - Additional PHA eligibility requirements. The family meets any other initial eligibility requirements set by the PHA.
  - Homeownership counseling. The family must attend and satisfactorily complete the pha's pre-assistance homeownership and housing counseling program.

# EANDC - EAST AKRON NEIGHBORHOOD DEVELOPMENT HOMEBUYER EDUCATION

- This course explains the steps in the home buying process and the key professionals who make up the home buying team. After completing this course participants are better prepared when selecting lenders and loan products. Topics covered include:
- If you are ready to buy a home
- How to manage your money
- How to understand credit
- How to rebuild your credit
- How to shop for a home
- What the mortgage loan process is like and how to apply
- What happens during the closing
- How to maintain your home after you buy



# EANDC - EAST AKRON NEIGHBORHOOD DEVELOPMENT HOMEBUYER EDUCATION CONT.

Next course is available Tuesday, April 3rd 5-9pm, Saturday May 19th 10am-2pm sign up online

[www.Eandc.Org](http://www.Eandc.Org)

**THIS COURSE IS ALSO AVAILABLE ONLINE!** If you are unavailable during our scheduled class times, eHome America offers an online course. **Note: the online course has a \$99 fee. We do not charge for our classes.**

# HABITAT FOR HUMANITY OF SUMMIT COUNTY

- Requirements to apply:
  - Need for adequate shelter
  - Ability to pay the monthly mortgage which averages between \$450 and \$650 per month
  - Have a total debt to income ratio of 39% or less (divide monthly debt by monthly income)
  - Willingness to partner with habitat for 250 hours of sweat equity per adult by building homes and attending educational classes for homeownership
  - Decent and responsible credit including:
    - Bankruptcy fully discharged for one year
    - No court ordered debt
  - All family members to live in the home must pass background check

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# FHA LOANS

## What is an FHA loan?

An FHA loan is a mortgage issued by federally qualified lenders and insured by the federal housing administration (FHA). FHA loans are designed for low-to-moderate income borrowers who are unable to make a large down payment.

**(Update)** as of 2018, these loans allow the borrower to borrow up to 96.5% of the value of the home (with a credit score of at least 580; otherwise, a 10% down payment is required). The 3.5% down payment requirement can come from a gift or a grant, which makes FHA loans popular with [first-time homebuyers](#).

# WHO ARE FHA LOANS FOR?

- Low-income individuals
- Credit score as low as 500
- Credit score between 500-579
  - Down payment of 10%
- Credit score over 580
  - Down payment of 3.5%
- Loans are not originated from FHA
- Buyer pays a FHA mortgage insurance premium to insure the loan
- FHA covers foreclosed/defaulted loans
- Other payment history and records (utility and rent)

# HOW DO LOANS WORK?

- Upfront Mortgage Insurance Premium
  - 1.75% of the loan (as of 2018)
  - Paid at the time of closing
- Monthly Mortgage Insurance Premium
  - Usually 0.85% of the loan amount
  - Payments vary based multiple factors
    - Loan amount
    - Length of the loan
    - Loan- to-value ration (LTV)

# WHAT IS A LAND CONTRACT?

- A form of seller financing similar to a mortgage
- The buyer makes payments directly to the seller
- **Why are land contracts used?**  
As with other types of seller financing, a land contract may be advantageous to both buyer and seller.
- **Benefits to buyers**
  - Not able to obtain tradition loan due to credit or work history
  - Can use the payment history to assist in obtaining a traditional mortgage.
- **Benefits to sellers**
  - May be able to negotiate a higher purchase price up front
  - More potential buyers
  - Larger down payment could be negotiated

# WHEN DO I OWN THE PROPERTY?

- While payments are being made, buyer has a “equitable title” to the property
- Buyer has an interest in the property
- Seller cannot sell without buyer’s permission
- Seller cannot place loans or liens on property

# WHAT HAPPENS IF I DEFAULT?

- What happens if the buyer fails to make the land contract payments due?
  - If buyer defaults or fails to make payments as required
    - Seller can file a court action called “land contract forfeiture”
    - All money paid is forfeited by buyer
    - Equitable title is extinguished

# IS AN ATTORNEY REQUIRED?

- This is HIGHLY advised due to different state rules
- This protects buyer and seller
- Lays out clear payment plan, loan length and interest

# TRADITIONAL MORTGAGE

- **WHAT IT IS**

- A **loan** in which property or real estate is used as **collateral**.
- The borrower enters into an agreement with the **lender** (usually a bank)
- Normally 5 to 30-year loans

- **Escrow**

- Add property taxes and insurance to monthly payments

# HOMESTEAD EXEMPTION

- A portion of your home that is “exempt” from property tax
- Several criteria by state and county
- Available to primary residence only
- Special exemptions for
  - Seniors
  - Veterans
  - Residents with disabilities

# TAX CREDITS

- Energy Efficient Home Credit
  - Energy Star rated products
  - Geothermal heat pumps
  - Small wind turbines (residential)
  - Solar energy systems
  - Fuel cells (Residential Fuel Cell and Microturbine System)
- Qualified Energy Efficiency Improvements
  - Does NOT include the following
    - Roofs, insulation or windows, doors & skylights

# OHIO FIRST TIME HOMEBUYER PROGRAM

<https://myohiohome.org/firsttimehomebuyer.aspx>

# STARTING THE PROCESS

1. Check your credit for errors or corrections
2. Determine how much house you can afford
3. Get prequalified and preapproved
4. Find the right real estate agent
5. Start your search
6. Get a home inspection
7. Have the home appraised
8. Close the sale