

Overview

Owning a home is an important financial decision and one of the most important decisions a person makes. Homeownership offers several benefits. First, owning a home means not having a landlord. The risk of having to leave because a lease expires or rents increase is eliminated. Owning your own home offers control. When you own a home you can make changes in the physical structure as you desire. Second, there may be more options among homes you can buy, including land, features of the home and proximity to schools or other community activities you value. Third, there can be financial benefits, including that the interest and taxes on a home are tax deductible, and home equity can increase in time as you pay down principal or home values increase.

Often homes are viewed as an investment, but financial benefits are just one aspect of owning a home and should never be the main reason to buy a home. Too many families buy a home driven by the desire to 'cash in' on homes as a financial investment, only to find the costs of owning a home are too high, that home values rarely grow faster than inflation over longer periods of time and that the demands for financing the costs of a home are too hard to manage. The tax benefits may in fact be small unless you are in a high tax bracket and pay large amounts of property taxes and mortgage interest. Home values may go up a lot in a short period, only to flatten or even decline the next year.

The right time to buy a home is when you are ready to make a long term commitment to one place, and willing to put the time and energy into owning and maintaining a home. If you already own a home, of course, it may be too late to reconsider (although it is an important question to ask yourself "do I really want to keep owning this house or would I be happier selling it?"). This program is designed to help you to understand the rights and responsibilities of homeownership once you own a home, as well as what to do to preserve the benefits of owning a home through maintenance of a home physically and financially.

Core Competencies from Wisconsin Homeownership Preservation Education:

1. Understanding benefits and responsibilities of owning a home
2. Knowledge of how basic repairs and maintenance can help preserve the functionality and value of a home
3. Developing a familiarity with budgeting and tracking key information needed to manage personal finances related to owning a home
4. Understanding the importance of property insurance and property tax payments for the preservation of homeownership
5. Knowledge of how mortgages work, what happens in default on a mortgage in Wisconsin and what to do when default is imminent.
6. Understanding the importance of monitoring a mortgage and the alternatives for paying off or refinancing a mortgage loan.

Financial Issues of Owning a Home

For many families the effort of finding a home and arranging financing along were overwhelming. After becoming an owner, issues of paying property taxes, dealing with property insurance and paying a mortgage become the focus. Failure to maintain regular taxes, insurance and mortgage payments can put the continued ownership of a home in jeopardy. It is very important to take the time to understand how and when taxes are levied on your home, how you pay those taxes (even if the bank does it for you) and what to do if your taxes increase. Likewise, it is very important to understand what your owner's insurance policy covers, how that policy is priced and paid, and what to do should you need to make a claim. Property insurance is critical to the ongoing security of our home as a place to live as well as a financial investment. Mortgages are financial contracts; by signing a mortgage loan a property owner pledges to abide by the terms of the loan or allow the home to be repossessed by the lender and give up title to the property completely. This is a significant financial commitment and too often owners of homes with one or more mortgages do not understand the terms of their loan or what to do when they cannot maintain regular payments. There are options available but homeowners need to be educated about alternatives to losing a home and how to negotiate a solution with their lender. Section X describes how to stay organized financially and Section XX helps you to understand how credit and mortgages work.

Physical Issues of Owning a Home

A home is a structure attached to land; it is what is called "real estate" meaning tangible and durable property. The land and location of the land is a key factor in what makes any particular home, but the structure itself is also important. Over time structures tend to deteriorate and lose value unless maintained and periodically updated and improved. But knowing what to maintain, how to improve and how to finance the costs of additional investments in a home can be challenging to understand and manage. Section XX describes the basic steps involved in maintaining a home each season, including check lists of the kinds of upkeep which should be considered normal and expected. Making sure that you perform these tasks as needed will help preserve your home as a quality place to live as well as help retain its value over time. Next this section discusses general issues related to home improvement and how to find ways to pay for additional investments in your home over and above the initial purchase and ongoing maintenance. The financial security of the home is closely tied to its physical condition and quality; thus issues of physical maintenance remain important in any discussion of the financial aspects of ownership.

When Things Go Wrong

Everyone has experiences which cause financial setbacks: illness, changes in family, job losses, financial choices that backfire, or other events. These can happen to anyone. When a drop in income and increase in expenses threatens to make paying a mortgage, property taxes or property insurance harder, your ability to stay in your home may be at risk. But it is very important to understand that options to losing the home do exist. Lenders do not want to take your property and face the prospect of losing thousands of dollars if they foreclose on your home. There are federal and state programs designed to help you avoid foreclosure, and lenders may have additional programs or strategies which can allow you to make lower payments until your situation improves. For some families these options may not make sense, or in some cases owning a home is no longer a priority. For these cases it is very important to make good decisions about how to exit from homeownership with the least long-term financial harm as possible. Section X describes the foreclosure process and offers an overview of some options typically available.

Preparing to Stay

For most families owning a home is a long-term proposition. The goal is to invest in a home physically, financially and emotionally, for a number of years or decades. Most homeowners aspire to paying off their mortgage and owning their home free and clear. Paying off a mortgage means your home now pays you with free rent (although property taxes and insurance will always remain). Issues of paying off a loan faster than scheduled, or even refinancing a loan, are important to understand and consider. Deciding when to improve a home or even to sell a home are also complicated financial decisions. This program is designed to introduce you to some key ideas related to keeping your home sound financially. It provides a general overview of a wide range of topics, each of which can be understood in greater detail with the assistance of a family economics educator and professional from the real estate or lending industry. The goal of these materials is to make you a more informed consumer and to help Wisconsin's families to preserve homeownership even in the face of difficult financial times.