

## STATIA'S STORY

“Am I too young to purchase my first home?” At 19 years of age, Statia Smith had many questions regarding the process of buying a home. She had just completed a project for her studies at OIT, researching *how to buy a home*, with emphasis on the First Time Home Buyer's tax credit. Statia was sure that with the research she had done for her project and her financial ability to repay a mortgage loan, she was ready to jump into the largest investment of her lifetime.

She started looking at houses with her fiancé'. She met with a realtor and looked at a few houses they really liked. The Realtor asked if she had visited Klamath & Lake Homeownership Center, an agency that assists people with the process of purchasing a home through education, and finding the best fit loan programs. Statia had not even heard of KLHC, but anxious to learn more, made an appointment immediately.

Statia learned:

- Front-end/back end debt ratio calculations, which helps determine affordability of a house payment
- FICO credit score and most lender's benchmarks
- Best fit loan products in relationship to her financial portfolio, (in Statia's case, the USDA Guaranteed loan was best for her)
- Recommended steps to purchasing a home by Neighbor Works National Institute:
  1. Visit a local Homeownership Center
  2. Complete a Financial Fitness and/or a Home Buying class
  3. Choose a reputable Realtor you can trust
  4. Choose a reliable Lender you can trust, (*pre-qualify before choosing a home*)
  5. Choose a home
  6. Obtain official loan approval
  7. Order a whole home inspection
  8. Close

Statia recommended that her fiancé also visit KLHC to review his FICO score, and determine a joint debt ratio calculation. Within four visits, they were confident in beginning a serious search for a new home.

Within a month they found a home and bid on it. The home was a “short sale”, which involves negotiation between the realtor, seller’s lender and investor; sometimes even more entities are involved in the negotiations of a sale price. This process took over 3 months. After the seller’s Lender finally accepted the offer, a two week deadline was given to close the loan. Statia was not officially approved for the loan amount, so complications arose in the loan process and there was no possibility that the loan would close in two weeks. That is why it is so important to obtain pre-qualification, and then the official loan approval, suggested in the steps the Homeownership Center teaches. Statia quotes, *“You should have your loan officially approved before you submit an offer on a house, particularly on a short sale, because of the time restraint given to close.”* Statia ceased all forward actions of purchase on this particular home, and decided to obtain a pre-qualification from a lender she trusted, as suggested upon her visit to the Homeownership Center. She and her fiancé pre-qualified for a lower amount than their original intent. This was frustrating to them; they had always paid their bills on time, had very good FICO scores, and although their budget was tight at times, they remained vigilant in their payment responsibilities. They remembered what they had learned about the “front end/back end” debt ratio calculations and the lender’s required benchmarks from the Homeownership Center, which helped them to understand why the loan limit needed to be lower.

They searched for another home at the price range suggested to them by the lender that assisted in the loan pre-qualification. They met a different Realtor that they trusted, and soon found the right “first home” for them. With minimal negotiation, an offer was accepted. The couple couldn’t be happier, with a home that they can afford; and a first experience they will never forget.

Statia quotes, *“Working with the Homeownership Center prior to purchase allowed us to have a real sense of where we stood in the whole process of purchasing our home. We learned about the front end/back end ratios, and what to look for in choosing a realtor and lender that you can trust. That makes all the difference. Start small with a house you can afford and work your way up as you can afford it. Don’t catch the big fish first, and then have nothing left to catch later! A reputable realtor that you can trust will educate you along the way; we purchased a Home Warranty program through our realtor, which will help protect us within the first year of living in our new home, who knew that was even available? I would recommend that people take advantage of the free services available to them at KLHC, even if you don’t think you can buy a house, you will learn the steps to take if you are having credit challenges, and how to budget efficiently if you have too much debt.”*

Klamath & Lake Homeownership Center is open Mon-Fri from 8:30 – 5:30. The address is 125 South 6<sup>th</sup> Street, next to Klamath Insurance Center. Phone number is 541-882-3500.