

LESSON 8

BUYING & SELLING YOUR HOME

KEY POINTS

- ✓ A house is the largest financial investment you will ever make.
- ✓ Here's your home-buying plan: a 15-year fixed-rate mortgage with at least a 10% down payment and monthly payments that are no more than 25% of your take-home pay.
- ✓ When you pay off your home, you're 100% debt-free!

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YOUR HOME



GUIDE
Dave Ramsey

BENEFITS OF HOMEOWNERSHIP

It's a steady _____ plan.

Your home grows virtually _____.

The National Study of Millionaires reveals that one of the two most important milestones for the typical millionaire is that their home is paid off _____.

SAVE YOUR DOWN PAYMENT

If you get a mortgage, get a _____-year fixed-rate loan.

GET PREAPPROVED FOR A MORTGAGE

Your mortgage payments, including HOA fees, insurance and taxes, should be no more than _____% of your take-home pay.

_____ any of these mortgage options:

- Adjustable-rate mortgage (ARM)
- Interest-only mortgage
- Reverse mortgage
- Subprime mortgage
- Balloon mortgage
- United States Department of Agriculture/Rural Housing Service (USDA/RHS) mortgage
- Accelerated or biweekly payoff programs
- Any mortgage with a prepayment penalty

ANSWER KEY

Growth
Tax-free
Early
15
25
Avoid

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Overall, a conventional loan is the _____ way to finance your home. These are typically Fannie Mae (FNMA) and are privately insured against default.

An FHA loan is backed by the Federal Housing Association and is often for first-time home buyers. It's insured by the U.S. Department of Housing and Urban Development (HUD) and is more expensive than a conventional loan.

A VA loan is backed by the Department of Veterans Affairs and allows veterans to buy a home with virtually no down payment. These loans have a high funding fee and are also more expensive than a conventional loan.

FIND A REAL ESTATE AGENT

Make sure you _____ at least three real estate agents.

NOTES

ANSWER KEY

Best
Interview

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GO HOUSE HUNTING

Buy in the _____ price range of the neighborhood.

Homes appreciate in good neighborhoods and are _____ based on three things: location, location, location.

Buy bargains by overlooking things that can be _____, like bad landscaping and ugly carpet or wallpaper.

Always buy a home that is or can be attractive from the street and has a good _____ plan.



As for me and my house,
we will *serve the LORD.*

— JOSHUA 24:15 (ESV)

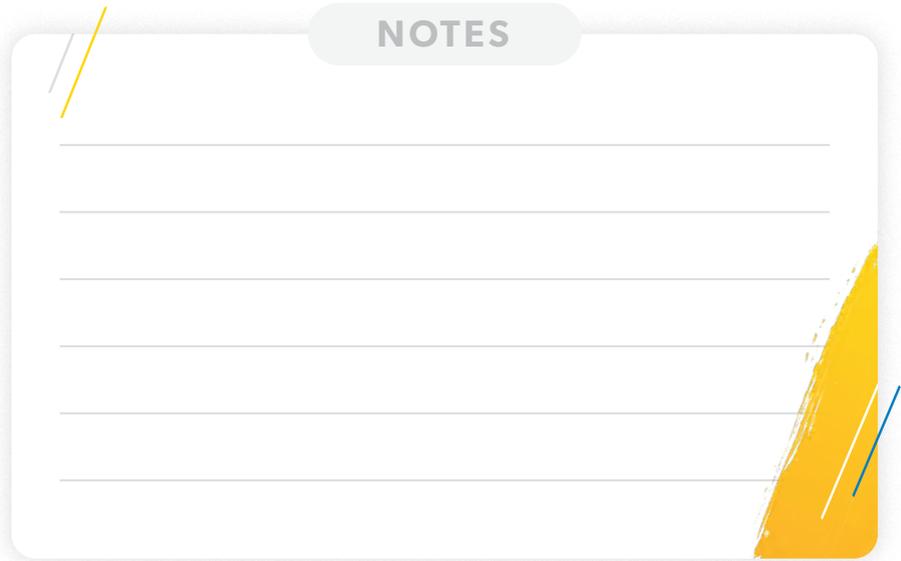
NOTES

ANSWER KEY

Bottom
Priced
Fixed
Floor

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NOTES



SUBMIT AN OFFER

You'll make an offer and make an earnest money deposit—this is 1–3% of the offer amount.

MEET CONTINGENCIES UNDER CONTRACT

When you buy property that's not a subdivision lot, always get a _____ survey.

Always have a professional home _____.

_____ insurance insures you against an unclear title when your property ownership is called into question.

ANSWER KEY

Land
Inspection
Title

CLOSE ON YOUR HOME

On average, you'll pay 3–4% of the purchase price of your home in closing fees.

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SELLING YOUR HOME

Have your agent do a detailed comparative _____ analysis (CMA) to accurately price your home.

Think like a _____ and make over your home like a model home.

“100% of foreclosures happen on homes with a mortgage.”
— DAVE RAMSEY



The graphic features a blue stopwatch icon on the left. To its right, the text "One-Minute" is written in a blue script font, and "TAKEAWAY" is written in a bold, yellow, sans-serif font below it. The entire graphic is set against a white background with a yellow brushstroke at the bottom right. Below the text is a series of ten horizontal lines for writing.

ANSWER KEY

Market
Retailer

HOME THE THE RIGHT WAY

Drew & Amy and Charles & Misty each put **20%** down on a **\$225,000** home at a **4%** annual interest rate.

\$225,000 HOME	DREW & AMY	CHARLES & MISTY
		
MORTGAGE (FIXED)	30-YEAR	15-YEAR
PAYMENT (MONTHLY)	\$859	\$1,331
TOTAL	\$309,364 AFTER 30 YEARS	\$239,658 AFTER 15 YEARS

**WHILE DREW & AMY PAY LESS IN THE SHORT TERM,
HOW MUCH MORE DO THEY PAY OVERALL?**

\$ _____
(Hint: \$309,364 - \$239,658)

Respond to the following questions:

-  Based on this example, would you rather be Drew & Amy or Charles & Misty? Why?
-  Charles & Misty will save more money than Drew & Amy, and they'll pay off their home 15 years sooner! How does this make you feel about your current or future mortgage situation?

DISCUSSION

Whether you're taking the class online or in person, be honest with your answers and remember to encourage one another!



When you picture your dream home, what do you see? What parts of your home stand out, and why are they important to you?



Based on what you've learned from Dave, how do you know if you have too much house?



Based on your answer to the last question, do you need to make any adjustments to your housing situation? If so, what? Refinance? Downsize? Throw more money at your mortgage?



If you're a homeowner, think about life without a mortgage. What could you do with the extra money that's currently going toward payments? If you're renting, how do you feel about owning a home someday? How could you save up for one?

ACTION STEPS

It's time to live out what you just learned! Complete each of the Action Steps before the next lesson.

- SEE HOW FAST YOU CAN PAY OFF A HOUSE**
Whether or not you're currently a homeowner, head over to **Ramsey+** to discover how quickly you could pay off a home (maybe the one you're in right now!) in Baby Step 6 by making extra payments on your mortgage.
- IF YOU'RE IN BABY STEP 3B . . .**
First, discover how much house you can afford in **Ramsey+**. Then, as you save more and more toward your down payment goal, track your progress in your membership. Finally, when you're ready to buy a home, connect with a local real estate agent who is RamseyTrusted.
- SCHEDULE A BUDGET COMMITTEE MEETING**
You're coming up on your next budgeting cycle, so it's time for another Budget Committee Meeting. For your next budget, pay close attention to how much you're paying toward housing each month. Do you have too much house? And don't forget to track your transactions in **EveryDollar**.
- COMPLETE YOUR FINANCIAL SNAPSHOT**
If you're in a class, fill out your second Financial Snapshot card (page 129) and turn it in to your coordinator at the start of Lesson 9. Then celebrate your progress!
- READ "PMI: NECESSARY OR NOT?" ON THE NEXT PAGE**
This Deep Dive shares a little more about why you should avoid private mortgage insurance and how to get rid of it once and for all.

PMI: NECESSARY *or Not?*

We're going to save you \$10,000 before this article ends. Ready?

You've worked the Baby Steps, done your research, and kept an eye on the housing market. You're ready to buy a home. If you can't put 100% down, you'll move through a mortgage approval process where you may encounter **private mortgage insurance (PMI)**.

Hold on a second. You might be asking yourself, *Was this on the list of the eight insurances I need to have?* We're glad you asked. The answer is no. And here's why.

AT A GLANCE

PMI = PRIVATE MORTGAGE INSURANCE

IF YOU PUT 20% DOWN, YOU AVOID IT

RATES RANGE FROM 0.5–1.5% OF HOME LOAN AMOUNTS



WHAT IS PMI?

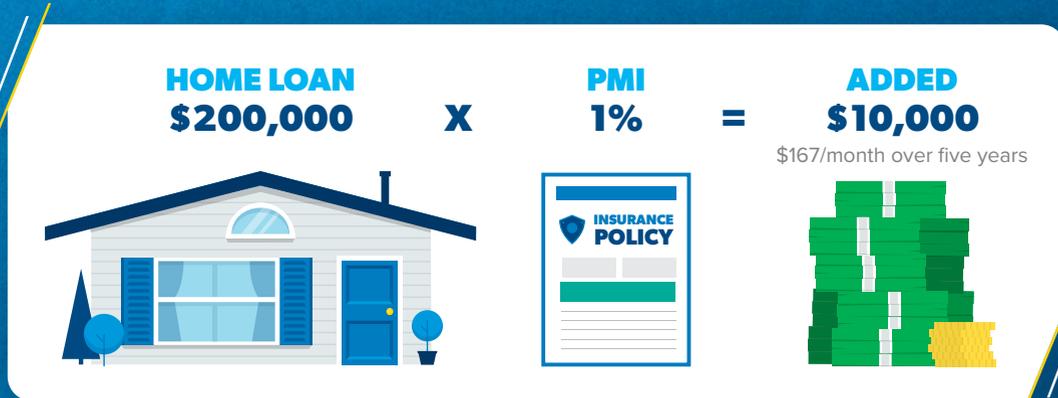
PMI protects the lender. You're about to borrow a lot of money, and your lender wants to make sure they get their money back if you can't make the payments and end up in foreclosure. Every year, there are between 500,000 and 1.5 million home foreclosures, so you can understand why lenders want insurance. **PMI protects their investment.**

But here's the catch: You're the one who will be paying the insurance premiums—*not* them.

HOW MUCH DOES PMI COST?

PMI rates can range anywhere from 0.5–1.5% or more of your loan amount. For this example, let's use a 1% PMI rate and a \$200,000 home loan amount.

At 1%, your PMI would be \$2,000 per year—that's an extra \$166.67 per month added to your mortgage payment. After five years, PMI has added **\$10,000** to the cost of your home. (There's that \$10,000 you can save yourself.)



HOW CAN I AVOID PMI?

The easiest way to avoid PMI is to put at least **20% down** on your home. That completely eliminates PMI. If you *don't* put 20% down, PMI will be added to your loan automatically! You won't be able to get rid of it until you've paid down your loan enough to have 20–25% equity in your home. Basically, your loan-to-value amount has to be less than 80%.

HAVE A PLAN AND USE A PROFESSIONAL

If you're going to buy a home and get a mortgage, stick to this plan: Find a real estate agent you trust and get a 15-year fixed-rate mortgage with at least 10% down (though 20% is best), and make sure the total payments (including PMI) are no more than 25% of your take-home pay.

Let us help!

Ready to find a real estate agent you trust?

Go to **Ramsey+** to find a real estate agent who is RamseyTrusted. They'll help walk you through the home-buying process.



When you **LIVE** like no one else, later you can live and **GIVE** like no one else.

— DAVE RAMSEY

