HOMEBUYER ESSENTIALS

This is a customizable tool designed to adapt to your unique community. Answers are notated in **orange bold** text.

Debt to Income

1. Debt to Income (DTI) is

A. Debt × Income

B. Income ÷ Debt

C. Debt × Income

**D. Debt ÷ Income**

2. Debt to Income is a ratio that helps lenders decide how much money you can borrow.

**A. True**

B. False

3. Section 184 requires a debt to income ratio of \_ or less.

A. 48%

B. 52%

C. 36%

**D. 41%**

4. Cara Jonathan’s total monthly income is $4,500 and her monthly debts total $1,200. What is her DTI?

A. 30 %

B. 32%

**C. 26%**

D. 41%

5. All of the following are ways to lower DTI except?

A. Avoid taking on more debt

B. Don’t make any big purchases on credit before you buy a home

C. Try to pay off as much of your current debt as possible before you apply for a mortgage

**D. Open additional credit and increase credit card spending.**

Mortgage Basics

1. What are the advantages of Homeownership?

A. Owning a home can be like a savings account if you have Home Equity. Home equity is the current market value of your home, minus what you owe.

B. Mortgage payments can be less than rent payments in some markets.

C. Homeownership can enhance a family's sense of control over their lives & environment, as well as promote stronger community ties. i.e. school, social events, etc.

**D. All of the above.**

2. What does PITI stand for?

A. Prime, Investment, Time, and Indirect Costs

**B. Principle, Interest, Taxes, and Insurance**

C. Policy, Interest, Time, Investment

D. None of the above.

3. What is a Loan to Value?

A. The equity in your home.

B. The same as the debt to income ratio, which helps lenders decide how much you can borrow.

**C. The ratio that describes the size of a loan compared to the value of the property securing the loan.**

D. Principle, Interest, Taxes, and Insurance

4. Closing costs can include…

A. Loan application fees, document preparation, application processing,

B. Home Inspection/appraisal fees

C. Title fees, attorney fees, mortgage recording fees

**D. All of the above**

5. Which of the following statements are True.

A. Predatory lenders often target low and moderate-income wage earners, minorities, and the elderly.

B. Predatory lenders prey on those who are unaware of their rights in the loan application process or those who are frustrated by the process.

C. Neither A and B

**D. Both A and B**

Housing is a Market & Loan Process Summary

1. What is a Real Estate agent?

A. Evaluates the physical condition of the house to identify items that must be repaired or replaced.

B. Employees of the lending institution who have the knowledge and experience to evaluate home loan applications.

**C. A person who represents sellers or buyers in the real estate transaction process.**

D. None of the above

2. The initial process of gathering necessary documents and applying for a home loan with your housing counselor and banking representative is called

A. Closing

**B. Pre-qualifying**

C. Environmental Review

D. Title Status Reporting

3. This report determines the ownership status of the property and also identifies any liens against the property.

**A. Title Report/Title Status Report**

B. Environment Report

C. Inspection Report

D. Appraisal Report

4. When making an offer on a home, what is earnest money?

A. Stipulates the loan term and terms to the mortgage agreement

B. The same as the debt to income ratio, which helps lenders decide how much you can borrow

**C. A monetary deposit, earnest money is applied towards your down payment at closing**

D. None of the above

5. If building a home “on” reservation, what are the two requirements unique to buying/building a home on Tribal trust land?

A. Inspection Report

B. Environment Review

C. Title Status Report

**D. B & C**

Under Contract & Closing

1. Once under contract, the bank’s underwriters verify the following:

A. Income

B. Debt to Income and Loan to Value ratios

C. Bank statements, rental history, and many other risk factors for the lending institution.

**D. All of the above**

2. Which of the following statements is False:

A. The Loan Commitment Letter stipulates the loan term and terms to the mortgage agreement.

B. The Loan Commitment Letter will include the loan’s annual percentage rate and the monthly costs to repay the loans.

C. The Loan Commitment Letter includes any loan conditional requirements needed prior to closing.

**D. The Loan Commitment Letter evaluates the physical condition of the house to identify items that must be repaired or replaced.**

3. What actions should a potential home buyer continue to do during the loan process:

A. Apply for new credit and be late on payments

B. Shop for new furniture and make irregular deposits or withdraw funds from bank accounts

C. Quit or change employment

**D. None of the above**

4. What is an Underwriter?

A. Evaluates the physical condition of the house to identify items that must be repaired or replaced.

**B. An employee of the lending institution who has the knowledge and experience to evaluate home loan applications.**

C. A person who represents the sellers or buyers in a real estate transaction.

D. None of the above.

5. Once you become 90+ days delinquent on mortgage payments, this is typically when the lender begins the first step in the foreclosure process.

**A. True**

B. False

Insurance & Routine Home Maintenance

1. What is Risk?

A. Risk = The possibility of financial loss

B. Risk is why the mortgage company requires insurance

C. Risk is what insurance companies measure when determining how much insurance is enough

**D. All of the above.**

2. Dwelling coverage is

A. Principle, Interest, Taxes, and Insurance

**B. The part of your homeowner’s insurance policy that helps to pay for the rebuilding or the repair of the physical structure of your home if it's damaged by a covered hazard.**

C. feature protects you from being sued and having to pay money for accidents that may occur on your property.

D. If there is an accident and someone gets hurt on your property, your insurer may pay to cover the injured person’s medical care.

3. It is very important to open all mail from your mortgage company or tax assessor’s office. Since county/state tax dues may change each year, your mortgage payment may up or down.

**A. True**

B. False

4. Homeowners should develop a budget and schedule for home maintenance and repairs according to:

A. The seasons of the year

B. The manufacturer’s suggested maintenance plan.

C. The requirements of any agreements or property restrictions.

**D. All of the above**

5. If a Tribal Member has any questions about buying a home, improving their credit, or building a home, they should contact this department...

A. Recreation Department

**B. Housing Department**

C. Human Resources Department

D. None of the above