Module 5

Loan options and housing

Financial paperwork

Financial information

Gathering important financial information will help prepare you for any future loans or large purchases such as a car or home. At every step of the process, your safety is the most important. Carefully consider where and how you store your financial documents and records. You might want to copy or take pictures of some documents, as a back-up. An advocate may be able to help you as you think through your safety plan.

Financial records

The following list of documents may help as you build or rebuild your financial life. This list is quite long. Not all items will pertain to you. Don't be discouraged if you are unable to obtain all of these documents. If you can, prioritize keeping a record of account numbers and contact information for you bank or credit union, credit card company, and other lenders. With the account numbers and contact information, you may be able to get copies of many documents. Remember to put your safety first and only gather information if it is safe for you.

Financial

- Bank statements (including checking, savings, and any CDs)
- Loan documents and statements

- Mortgage repayment records
- Tax filings with records of refunds or amounts owed
- Business financial statements
- Pay stubs or other documentation of your income
- Any employee benefits (including insurance, retirement, and bonuses)
- Statements of any retirement or investment accounts
- Documentation from any public assistance or benefits received
- Records of debts
- Any other documents where you share financial responsibility (e.g. if you co-signed a loan for a family member)

Monthly expenses

- Household bills (utilities, rent/mortgage)
- Education costs
- Childcare costs and contact information including after-school programs or summer camps
- Religious and/or charitable donations
- Transportation costs (gas receipts, toll receipts, car payment, bus pass, insurance, etc)

Legal

- Birth certificate(s) and any custody or adoption paperwork
- Marriage certificate
- Passport(s)
- Immigration paperwork (including citizenship, permanent residency, work authorizations, etc.)
- Social Security card(s)
- Wills and trust documents
- Records related to bankruptcy or liens
- Records of business partnerships
- Pre- and post-marital agreements (divorce settlements)
- Records of any pending legal actions
- Records of inheritance
- Driver's license or state identification card
- Protection or retraining orders (including police reports)
- Documentation of pet ownership

Property

- Title documents
- Lease/rental/mortgage agreements and payment records
- List of collectibles, jewelry, artwork, other valuables (include photos)
- Vehicle registrations
- Insurance policies
- Pictures of the furnishings and personal items in your home
- Copies of any existing wills
- Copies of property deeds, including paperwork related to international property

Health

- Medical and dental records
- Health, life, and disability insurance policies
- Medical expense records
- Records of prescriptions for drugs and eyeglasses
- List of doctors (for you, your child(ren) or other dependents) and their phone numbers
- Living will and trust documents
- Immunization records

Loan options

Loan options

As you focus on your financial foundation, you may want to obtain a loan to meet your financial goals. Taking on debt isn't always bad and can actually be helpful when done strategically. The key is to have a solid plan for repayment before you take out a loan. Knowing the available options for loans will make it easier for you to make decisions that will help you achieve your goals.

Caution

Be aware that if you are attempting to keep your location or actions confidential, taking out ANY loan, including credit cards, may make you vulnerable and traceable via your credit report. If you participate in an address confidentiality program, make sure you know what your options are for accessing loans without compromising your safety.

Unsecured and secured

There are essentially two types of loans: unsecured and secured. An unsecured loan is obtained without collateral (such as a house or car). Unsecured loans are also called signature loans.

Unsecured loans

Credit card loan

Credit card purchases are unsecured loans. Each time you buy something with a credit card, you sign a form authorizing payment and agreeing to pay the money borrowed. The terms and amount of the loan are determined when you apply for the credit card. The terms include the minimum payment amount, the interest rate, when interest will be added to any balance, the credit limit, and the penalties for payments that are missed or late. Interest rates on credit cards are generally higher than interest rates on other loans.

If you don't pay the loan on time, fees and interest may be added. The account may be sent to collections, and legal action can be taken against you.

Before approving a credit card application, credit card companies look at the person's credit history and income. Generally, a Social Security number is required to be approved for a credit card.

Credit cards can be helpful for establishing and improving your credit history. Some credit cards have benefits such as 0% interest for a period of time, cash-back on purchases or other perks.

As with any loan, the key is to use it only if you have the ability to repay. If you spend more on a credit card than you can afford, the high interest rates and fees can make it very difficult to pay it off. Before putting something on a credit card, consider the interest rate, the monthly payment and how long it will take you to pay off the loan.

IOU loan

The simplest unsecured loan is a personal loan from a friend, family member, or other trustworthy person. An IOU (I owe you) is a signed or verbal agreement to pay back the loan. If you don't pay the loan back as agreed, you may face small claims or court actions.

This type of loan can be a good option. But before taking an IOU loan consider what might happen if you can't repay, what might happen if they change their mind and want their money back sooner, and ways the loan might damage the relationship.

If you decide to proceed, put the agreement in writing. Spell out the terms of the loan, interest to be paid and when payments are due. Both parties having a signed copy of the written agreement can help avoid future problems. Be sure the agreement includes dates, names, addresses, amount of the loan, length of the loan, amount of each payment, payment due dates, interest charged and your signatures.

Personal loan

Banks and credit unions can also offer an unsecured personal loan to a borrower. Lenders measure risk by looking at the credit history, assets and income of the borrower. If the bank thinks you are a higher risk borrower, they may charge you a higher interest rate or deny the loan. By charging higher interest, the lender gets more money back faster lowering the risk of losing money if the loan isn't fully repaid. The higher interest can be very expensive and small improvements in your credit score can lower the interest rate you are charged.

It is a good idea to shop around for the best interest rate if you need a personal loan. Credit unions often offer the best rates. If is usually easier to get a loan from a bank or credit union where you already have an account.

Student loan

Student loans are also a type of unsecured loan. There are multiple types of student loans with varying interest rates, fees and repayment terms. We will cover student loans in module 6.

Predatory lending

Predatory lending is the practice of using unfair, unclear, and abusive tactics when lending money. Dishonest lenders take advantage of borrowers, especially those who are less knowledgeable about lending practices. Predatory lenders target people with poor credit who are desperate and have limited options to get the money they need. The terms of predatory loans are unfair and financially harmful. Predatory loans can be unsecured or secured loans. Payday loans and car title loans are two common types of predatory loans.

Payday lenders

Payday lenders are companies that lend customers small amounts of money at high interest rates. The borrower agrees that the loan will be repaid when the borrower's next paycheck arrives. Payday loans are small cash advances, usually $500 or less. To get a cash advance, a borrower typically gives the payday lender a check or authorization for automatic withdrawal from the borrower's bank account of the full amount of the loan. The lender cashes the check or withdraws the amount on the borrower's next payday.

Payday loans come with big fees. For a two-week payday advance, a borrower will pay at least $15 for every $100 borrowed. The loan fees can end up being 400% of the loan. If you have any difficulty paying the full amount, additional fees are added which can increase your debt, harm your credit and get sent to collections. These loans are designed to keep you in a perpetual cycle of high-interest borrowing.

Car title loans

A car title loan is typically a small loan amount for a short period of time where a vehicle title is provided to the lender as collateral or as the ‘backing’ for the loan. A car title loan typically allows someone to borrow 25-50% of the vehicle’s value. Car title loans are typically very expensive and NOT good for consumers or borrowers. If the loan is not paid back within the terms, the lender can take possession of the vehicle that was used a collateral.

Secured loans

Secured loans are protected by an asset or collateral of some sort (such as a house or car). Secured loans are less of a risk to the lender, because they can recover any loss from the collateral used to secure the loan. Secured loans can be harder to obtain for borrowers. We will cover the three main types of secured loans: mortgages, debt consolidation and car.

Benefits:

- The best way to obtain larger amounts of money
- Lower interest rates since the lender is taking on less risk

Drawbacks:

- If the loan is not repaid, the lender may take possession of the asset used to secure the loan.
- Since the loan amount is generally higher, the application process may take longer.

Mortgage loan

A mortgage loan is a signed agreement between you and a lender providing you the funds you need to buy a home.

This agreement gives the lender the right to take the home if you don’t pay the money you have borrowed on the agreed upon timeline.

You also pay interest on the mortgage loan. This type of loan is covered in more depth in the home ownership section of this module.

Debt consolidation loan

Another type of secured loan is a debt consolidation loan where a home or other personal property is used as collateral. In this type of loan, you take out a new loan to pay off other existing loans. Then, instead of having many high interest payments to make each month, you have one loan to pay monthly.

This can save money over time since interest rates for secured loans tend to be lower. A debt consolidation loan usually offers a lower monthly payment as well. However, you risk losing your collateral.

If you are considering debt consolidation, it's important to find a trustworthy credit counselor and company. The Federal Trade Commission has additional information on debt consolidation on their website.

Car loan

With a car loan, the loan is secured with the value of the vehicle. Before shopping for a car or loan, it is a good idea to determine what kind of car payment you can afford. Remember that in addition to monthly payments, the car will need to be insured. It will also require gas or charging and periodic repairs and maintenance. These costs can add up. Therefore, it's important to plan for them in a monthly budget to avoid surprises or a loan that's too big to carry comfortably.

New vs. used

The primary difference between loans for new and used cars is that new car loans tend to come at a lower interest rate, but a higher car price. Used car loans are often smaller but have higher interest rates, as the value of the car may go below the value of the loan before it is paid, increasing the lender's risk.

This may be an important factor for people with a low credit score, as the higher interest rate could make a used car substantially more expensive. For people with a high credit score, the difference in interest rate may not make a huge impact. In either case, be careful to find a loan that meets your needs. Taking out a loan adds to the cost of a car over time but may be necessary if you don't have cash to pay in full.

Calculator

When considering a car loan, it can help to use a calculator such as: https://www.allstate.com/resources/car-insurance/car-loan-calculator.

A car loan calculator can give you a rough idea of how the amount of a loan, length, and interest rate can change monthly payments. It can help you figure out the total cost of the loan over time.

Loans with short terms (36 vs. 60 months) are cheaper in the long run due to less interest over the life of the loan, but monthly payments are often higher with shorter terms. The more money you can pay upfront, the less you will need to take out in a loan, a higher down payment can sometimes help you get a better interest rate.

Example

The chart below shows a $20,000 car loan. It shows different potential interest rates based on the length of the term. As you can see, a shorter term means a higher monthly payment. However, over the length of the loan, you end up paying much less interest. Please note that these interest rates are for illustrative purposes only and not a reflection of current rates.

Loan	Term (months)	Interest rate	Monthly payment	Total interest paid
$20,000	36	9%	$635.99	$2,895.81
$20,000	48	9%	$497.70	$3,889.64
$20,000	60	9%	$415.17	$4910.03
$20,000	72	9%	$360.51	$5,956.77
$20,000	84	9%	$321.78	$7,029.65

Financing with credit

If you are considering financing through the car dealer, make sure you understand all of the costs. Some car dealers may have relationships with the lender to make financing easier. However, these relationships may involve payments to the dealers for routing loans to particular lenders. Be sure to get a full explanation of all costs involved.

It is also possible to find car loan financing from your bank or credit union. Additionally, there are online financing options. The customer service may not be as good with online financing. To minimize the negative impact on your credit score, shop around without applying for any loans. Then ask only one or two lenders that appear to have good rates and terms for pre-approval. In a pre-approval, the lender will provide you with paperwork indicating how much the lender will give out and what the interest rate and terms of the loan would be.

To prepare for car loan pre-approval:

- Check your credit score. Remember you can check your credit score for free once a year.
- Calculate your debt to income ratio. You can calculate this by adding up your total debt and dividing it by your monthly income. For car financing, lenders generally look for a debt to income ratio that is at or below 40-43%.

• Gather documents such as your identification, and pay stubs.

Financing without credit

There are also no credit car loans. While there may be good reasons to consider a no credit car loan, there can also be dangers. Some of the drawbacks include:

• Typically only available for used cars.
• Many lenders for this type of loan don't report to credit reporting agencies making it difficult to rebuilt your credit.
• Higher interest rates.
• If a payment is missed, the interest rate may increase and the lender can repossess (take back) the vehicle.

If you have bad credit, you can likely find at least some lenders who will finance a car for you. However, be extra careful in this situation as some lenders take advantage of borrowers who have bad credit.

Housing options

Transitional housing

Transitional housing programs provide housing and support to people who are in search of permanent housing. Transitional housing can be an option if you are leaving an emergency shelter and not yet in a position to afford living completely independently. In addition to affordable housing, many transitional housing programs provide support services, including money management and/or savings programs. They may also have added safety measures.

Subsidies and services

Some transitional housing programs offer rent subsidies. Subsidies allow participants to find and keep their own housing by assisting with rent for a set time period. Other transitional housing programs offer apartment-style quarters owned by the program or congregate living where several individuals or families share a household. There are domestic violence specific transitional housing programs.

Services may include: childcare, advocacy, therapy, job training and/or job placement. You can generally participate in a transitional housing program for 6 months to 2 years. To learn more about transitional housing options in your area, contact your local domestic violence program.

Rental properties

Before you look for a room, apartment or house to rent, determine how much you can afford to pay each month. Housing experts generally recommend that you don't spend more than 50% of your income on rent. If you can, it is ideal to spend around 30% or less and that is often unrealistic.

Most rental properties have their own income eligibility requirements. Landlords often require that potential tenants monthly income is at least 2.5 the amount of rent. For example if rent is $1800, most properties would require at least $4500 in gross monthly income. Properties also usually have minimum credit scores to rent.

Before you rent

- Determine the size home you need and what you need to live near to.
- Research the fees and utility costs.
- Make sure all utility bills in your name are current.
- Look at multiple options.
- Make sure you have enough money for the application and deposit.

Rental application

Rental applications generally require:
- Employment history
- A credit check
- Rental history including contact information for previous landlords
- Income verification

If you participate in an address confidentiality program, be sure to follow any requirements of the program regarding notice to the landlord or other additional forms you need. If you have safety concerns about any of the information, it can be helpful to safety plan with an advocate prior to applying.

Before signing a lease

- Be sure to read the lease carefully and make sure you understand it.
- Don't put money down unless you are sure you want the apartment.
- Calculate the anticipated utility costs when determining if it's affordable.
- Check the condition of the apartment.
- Get a written agreement for any needed repairs.
- Talk to current tenants about their experience with the landlord.
- Visit the neighborhood at different times of day.
- Be aware that deposits can be difficult to recover even when you are legally entitled to get them back.

Unit condition

Before signing a lease, do a thorough apartment walk-through. It can be helpful to do the walk-through with the landlord. As part of the walk-through:

- Check to make sure all appliances, light fixtures, fans, windows, etc. work. If any repairs are needed, do not sign the lease until the repairs are completed or add a repair clause to the lease.
- Take photos and video and document all existing damage as well as the current state of the unit. Make sure you and the landlord have a list of all documented damage.

Documenting damage and the condition of the unit can help you get your deposit back when you move out. Make sure you also document the condition of the unit when you move out prior to turning in your keys.

Repairs and communication

If possible, communicate with your landlord in writing so that you have a record if needed. In many instances you are not charged for repairs or maintenance you request while living in a unit. However, if things break or need repaired and you do not request the repairs, you can be charged for them when you move out.

Before moving out

- Check the terms of your lease and make sure you provide the required notice.
- Do a walk through with the landlord.
- Document the state of the unit.
- Be aware that damage deposits can be difficult to get back, and you may need to advocate for yourself. Documentation and knowledge of the landlord-tenant laws in your area can help. Many areas have tenants rights groups that provide free information and advice.

Section 8 federal housing

The Section 8 Federal Housing program makes privately owned rental housing affordable for low-income households. It provides rent subsidies (either rental certificates or vouchers) for eligible tenants. The subsidies usually equal the difference between 30% of the household's adjusted income and the approved market rent. For example, if the approved market rent for an efficiency apartment is $600, and 30% of your adjusted income is $480, a Section 8 voucher could cover the remaining $120.

The Department of Housing and Urban Development (HUD) or the local Public Housing Authority set the approved market rent rates. Availability varies by location and wait lists are often years long. Although many property owners rent units to individuals with Section 8 vouchers, some do not. Since it is not a requirement to take Section 8 vouchers, property owners can refuse to rent to someone who is applying with one. HUD requires that landlords participating in the Section 8 program keep their housing in good living conditions regarding safety, health, and fire hazards.

Some property owners engage in illegal discrimination and prey on the limited availability of section 8 eligible units. Landlords cannot demand sex or any form of sexual acts in exchange for housing or housing-related services. They also cannot create a hostile environment through unwelcome physical, verbal, or written comments or acts of a lewd or vulgar nature. They also cannot enter your apartment without invitation or without permission.

If you believe you are being treated unfairly, being discriminated against, or are being sexually harassed because of your housing voucher or source of income, contact a domestic violence program advocate, legal services, or the public housing authority to file a complaint. If you believe you were discriminated against under the Fair Housing Act, you can file a complaint with HUD's office of Fair Housing and Equal or with a Fair Housing Assistance Program Agency (FHAP) if one exists in your area. If you have a housing voucher and are experiencing delayed repairs or uninhabitable living, you can contact your Section 8 advisor or the Section 8 inspections office for assistance. For more information, visit HUD's website on reporting housing discrimination.

Rental assistance programs

There may be other rental assistance programs available in your community through non-profit or government organizations. These programs provide income-based financial assistance for housing expenses. Some provide one-time payments for rent or a deposit, and some provide longer-term assistance. Domestic violence advocates are generally knowledgeable about any local rental assistance options. Your advocate can also help you safety plan around shared accommodations if you need or want to live with roommates.

Lease bifurcation

If you are on a lease or rental agreement with your current or former abusive partner, you may be able to remove your name or have their name removed from the lease. Once a name is removed from the lease, that person no longer has any responsibility to pay rent, utilities or other expenses and no longer has the right to be on the property.

This process is called lease bifurcation. The laws and process vary by state. In many states, there is a specific process for victims of domestic violence. Be sure to ask your advocate or an attorney about the options and process for your state.

Addressing property damage

If your abusive partner or ex-partner damages rental property and your name is on the lease, you will be held responsible for the damage. However:

- You may be able to obtain financial assistance to make repairs through your state's Crime Victims Compensation Fund. Ask your advocate first. You may need to file a police report and depending on local laws, calling the police could result in you being evicted.
- The Violence Against Women's Act (VAWA) provides protection from eviction for survivors in

public housing if they have to call the police to their unit.

- If you have renter's insurance, read your policy to see if it might cover the costs of the damage.
- Check with your advocate to see if there are any local domestic violence financial assistance programs that can help.

General tenants' rights

Generally, livable rental units must provide:

- Accommodations that are weather and waterproof
- Working plumbing
- Sufficient hot and cold running water
- Working heating system
- Working electrical system
- Freedom from infestations of insects and rodents
- Floors, stairways, and railings in good repair
- Working windows that open at least halfway or mechanical ventilation
- Fire/emergency exits

- Trash pick-up
- Natural lighting
- Working deadbolt on the main entrance and locking windows
- Working smoke detectors

Notices

Tenants have a right to written 24-hour advance notice of the owner's intent to enter the property except in case of an emergency. When a tenant has provided a written request for repairs to the landlord, the tenant has the right to a prompt response.

Generally, you must receive a 30 days written notice of a rent increase under 10% and a 60 days written notice of a rent increase of more than 10%.

In most cases, you must receive your security deposit within 30 days of vacating a unit. If any of the deposit is withheld, the landlord must provide you an itemized statement of the charges. In some locations, landlords are required to keep your deposit in an interest-earning account and return the deposit plus any interest earned to you.

General tenant responsibilities

Tenants must:

- Pay rent on time.
- Keep the unit clean and sanitary.
- Use gas, electrical, and plumbing fixtures properly.
- Fix or pay for repairs of items they or their guests damage.
- Not remove anything from the structure that isn't theirs.
- Use the premises for the intended purposes. Subletting or operating a small business are commonly not allowed purposes.
- Not engage in illegal activities on the premises.
- Limit household tenants to the number allowed by law/lease.

General tenant responsibilities

Make sure you know:

- When your rent is due each month
- When rent is considered late
- What the late fee policies are
- Allowable rent payment methods and any fees

Often, rent is due on the first of each month. Some properties allow a grace period before rent is considered late, but many do not. Late fees are common and can add up quickly. If you think you will have trouble paying your rent on the due date, contact your property manager and see if they will work with you on payment options. If you proactively communicate and have been a good tenant with a record of on-time payments, they may be more willing to work with you.

Evictions for non-payment of rent

There are three steps to eviction:

1. Notice from landlord.
2. Notice from court.

3. Notice from sheriff.

Notice from landlord:
The landlord must give written notice before they file a lawsuit against you. The notice may state, “Pay the rent of vacate in three days”. If you don’t pay or vacate during the designated time, the landlord may file an eviction lawsuit in court. The amount of time you have to pay is dependent on the laws in your community.

Talk to a lawyer if you believe that you do not owe the rent that is being demanded of you. WomensLaw and LawHelp are two possible resources for location a lawyer.

If you agree that you owe the money, you can meet the terms of this notice by paying the overdue rent within the time stated in the notice. Be sure to pay with a check or money order to help you prove that you paid the money. Write the months you are paying for on the check/money order. If you have to pay in cash, be sure to get a receipt that specifically states you have paid those months in full and keep it somewhere safe. If you make online rent payments, keep a copy of any verification emails or payment verification numbers.

If you don’t have enough money to pay the rent, contact a local domestic violence program or other community organizations about possible grants or loans.

Notice from court:
If you don’t pay the rent that is demanded of you, you may receive a petition for eviction and a summons/notice to appear in court. Being sued for eviction can have consequences that reach far beyond the court case. Even if you eventually settle the lawsuit, future landlords may be able to view the court records and not want to rent to you as a result.

How to handle this notice:
1. Talk to a lawyer as soon as possible to see if you have any legal defenses to the rent being demanded. For example, if the landlord created an environment that was dangerous to live in, they may have breached the “warrant of habitability”.
2. Begin thinking of how you may be able to pay the rent owed. Perhaps you can ask your landlord to set up a payment plan. You may be able to apply for a grant to prevent homelessness from public assistance. Or you may be able to get help from a private charity. Contact a non-profit such as your local legal aid office for possible help from an

attorney.

Even if you do not have a lawyer, show up to the court date! If you don't attend, a judgement of eviction and a warrant for possession of your rental unit will likely be issued.

Notice from sheriff:
If the landlord wins the eviction lawsuit, they can get a judgment of possession of the rental unit and an order to vacate (warrant). The order will indicate when you must be out and will likely be enforced by a sheriff or other law enforcement officer.

How to handle this notice:
Comply with this notice and move your family and your belongings as soon as possible. If you leave any items behind, you may have to pay storage fees to get them back. Or the landlord may consider the items abandoned and discard them.

If you did not receive a summons/petition before you received the order to vacate or if you believe that you are being wrongfully convicted for any other reason, see a lawyer immediately. The lawyer may be able to get the order/warrant set aside on the grounds that you did not have a chance to defend yourself in court. However, you may also have to prove that you had a "meritorious defense" to the initial court case.

Even if you can't get a lawyer to help you, you can go to the court yourself to see if you can file an order to show cause (or other legal papers). This would ask the judge to set aside the warrant of eviction and to give you more time to pay the rent owed.

Illegal Evictions
An illegal conviction can take place when you are forced to leave your home by someone who doesn't have a legal right to evict you or when your landlord doesn't follow proper legal eviction procedures. Talk to a lawyer if you believe you are being wrongfully or unlawfully evicted. For example, you may be illegally evicted if your landlord:
- Changes the locks while you're out or stops you from getting into your home.
- Makes life so uncomfortable that you're forced to leave. For example, turning off the heat, water, electricity, etc. This is known as a "constructive eviction".
- Physically removed you from the property or has someone remove you who is not legally authorized to do so.

Illegal eviction can be both a civil and criminal offense. The courts may force your landlord to allow you back into your home, impose fines, award compensation, and even arrest the landlord.

You can call the police if your landlord has illegally evicted you. The police might tell the landlord to let you back in. This is dependent on your state's laws. You can also contact a lawyer in addition to or instead of the police. A lawyer can help you file a petition in court to ask the judge to order the landlord to allow you back into the home.

You could also try informing the landlord in writing that their actions are illegal. In this letter, demand that your landlord allow you back in immediately, stop trying to illegally evict you, stop harassing you, and return any belongings they took. Be sure to keep copies of the letter and any other communication to or from your landlord.

If you have been evicted, consider contacting your local domestic violence program or the National Domestic Violence Hotline for possible assistance and resources for new housing.

Home ownership

Dreaming of possibilities

If you are in an abusive relationship or have recently left one, you might feel as if home ownership is nothing but a dream. You may be currently living in a domestic violence shelter, staying with friends or family, unhoused, or living in transitional housing or an apartment, and home ownership may seem unrealistic.

Even if you are not in a position to buy a home now, you could be in the future. Dreaming and visioning things you want can help you get there. This module has tips and strategies to help you if or when your are ready.

Safety is priority

Safe living is a must-have. Your access to safety is the priority. Remember to safety plan and carefully consider what you need right now in a living situation to help ensure your safety.

Remember that there is support for you no matter where you are in your process. Reach out to a domestic violence advocate to help you navigate your path.

Questions to consider

If you want to buy a home, ask yourself these questions:

- Do you have a steady income and a stable job?
- Do you plan to stay in the same community for at least 3-5 years?
- Do you have a budget and do you stick to it?
- Do you have good credit or non-traditional credit history (including payments to landlords, utilities, cable, insurance, etc.)?
- Do you have savings for a down payment or closing costs?
- Have you researched programs or domestic violence survivor specific programs that offer down payment or closing cost assistance?
- Have you looked at mortgage programs for low and moderate-income borrowers?
- Have you taken homebuyer education classes?
- Can you afford to buy a home right now?

Home ownership

For most people, obtaining a mortgage is necessary in order to buy a home. If you are interested in buying a home, check with your bank or credit union to see what mortgage options they offer. You may also want to consult with at least one mortgage broker. A realtor may also be able to refer you to a lender. A good financial professional can help you:

- Understand the different types of mortgages
- Get a mortgage
- Walk you through the mortgage application process
- Calculate what type of monthly mortgage payment you can reasonably manage

Seeking solid mortgage advice before purchasing a home can help you avoid mistakes that could be very costly in the long run.

Safety considerations

Buying a home is a big, long-term decision. If you live with ongoing safety concerns, you will need to consider if and how you can make homebuying safe for you. Typically, many records associated with the purchase of a home are public.

If you participate in an address confidentiality program (ACP), check with the program about your options before starting any homebuying processes. Some states have ways for ACP participants to buy a home without compromising the confidentiality of their address. The process to do this is important, and if any errors are made or you take steps towards buying a house before contacting the ACP, you may irrevocably make your home purchase and address public.

Some survivors have purchased a home under a business name or in a trust to limit public information tying their name to their address. Doing this is also a complex process.

Can I afford to buy?

Most lenders require a down payment. It can be anywhere from 3-20% of the mortgage. Many first-time homebuyer programs use a 3-5% down payment. Most people can comfortably repay a mortgage that is 2.5 times their annual gross income. For example, if you make $45,000 a year, you may qualify for a $112,500 mortgage.

Although you may qualify for a large mortgage with some lenders, you may be unable to sustain the monthly payments and could lose your home. Review your finances and estimated monthly expenses carefully. Do not take on a mortgage unless you can comfortably make the monthly payments and afford annual insurance and tax increases, as well as maintenance and repairs.

Calculators

Before contacting a lender, you may want to try a couple online mortgage calculators. Here's a link to one calculator to try: https://www.allstate.com/resources/home-insurance/home-loan-calculator.

Calculators can help you get a rough idea of the size of mortgage you can afford and likely monthly payments. Keep in mind, they are ballpark figures, and some calculators do not factor in property taxes, homeowner's insurance, and/or homeowner's association fees (if applicable) into the monthly amount.

Closing costs

Closing costs are fees paid to finalize the mortgage and home purchase. The closing costs are typically 2-6% of the home's purchase price. For example, with a $200,000 purchase price, closing costs might be between $4,000 and $12,000. Many first-time homebuyer programs assist with closing costs. You may also be able to ask the seller to help pay for the closing costs.

Closing costs include a title search, which will prove that no one else owns or has a lien on the property. You will have the option to, and generally should, purchase title insurance. You may also have to pay for a land survey, termite inspection and homeowners insurance as part of closing. Ask your lender to explain the closing costs before you sign any papers. Watch for hidden fees, and be sure to comparison shop.

Pre-payment penalties

If you pay off a mortgage earlier than originally agreed, your lender may charge you a fee known as a prepayment penalty. This can happen when you pay off or refinance the loan, make a lump-sum payment of 20% or more, or sell the house.

When you pay off your mortgage early, the lender loses out on the interest you would have paid over the lifetime of the loan. Prepayment penalties are used by lenders to discourage borrowers from doing this.

Under federal law, lenders can only charge pre-payment penalties for the first three years of your loan and the penalty amount is capped. Federal law also prevents certain types of mortgages from having a prepayment penalty, including government-backed loans (FHA or VA) and adjustable-rate mortgages. Ask your lender if you can get a mortgage that does not include any pre-payment penalties.

Other costs to consider

As you evaluate if and what you can afford, remember to factor in maintenance, repairs, and taxes. Plan to budget between 1-5% of your home's value each year for repairs and maintenance. The exact amount will vary from year to year. Since you are responsible for all repair and maintenance costs, it's important to be prepared for emergencies.

Property taxes are charged by local government and are often included in your monthly mortgage bill.

Homeowner's insurance pays for damage or losses to your house when covered claims occur. It is a requirement to obtain a mortgage loan. You may pay for it in your monthly mortgage bill or pay these taxes separately.

Private mortgage insurance (PMI) is a separate insurance policy that protects the lender if the borrower stops paying their mortgage. It is usually required if your own payment is less than 20%. PMI is typically included in your monthly mortgage bill.

Escrow accounts are funds mortgage lenders set up to pay annual property taxes, insurance, and/or PMI. You will pay a set amount into the escrow account each month and the lender pays your taxes and insurance form the escrow account. The amount you have to put into your escrow account can go up and down over time. The CFPD provides more information on escrow accounts.

Mortgage types

A mortgage is a type of secured loan. The terms of a mortgage loan are usually different from other types of bank loans. In most cases, the property that is purchased with the mortgage is used as collateral for the debt. Mortgages commonly last for 15 or 30 years.

Fixed-rate

With a fixed-rate loan, your interest rate won't change unless you refinance. The most common mortgage lengths are 15 and 30 years. With a 15 year mortgage, you agree to pay the amount borrowed and all interest within 15 years (180 monthly payments). With a 30 year mortgage, you agree to repay the amount borrowed and all interest within 30 years (360 monthly payments).

30 year mortgages typically have lower monthly payments. Over the life of the loan, you pay less interest with a 15 year mortgage but have higher monthly payments.

Most borrowers choose between a 15 and 30 year length based on the monthly payment that is most comfortable. You may be able make additional payments towards the principal of your mortgage loan, allowing you to pay the loan off sooner and spend less on interest while still taking advantage of the lower monthly payments of a longer mortgage.

Adjustable rate
An adjustable rate mortgage, also known as ARM or floating rate mortgage, is a type of mortgage in which the interest rate is not fixed for the entire life of the loan. The rate is fixed for a period at the beginning, called the “initial rate period”, but after that it may change based on the interest rate index.

An adjustable rate mortgage isn’t always a bad thing, and it is more risky than a fixed-rate mortgage. If the index falls, you might pay less than you would with a fixed-rate loan. However, if the index rises, you may pay more. Adjustable rate mortgages often have a cap on charges. For example, it might have a cap of 2% maximum per year or a 6% cap over the lifetime of the loan. Make sure you know the specifics of any adjustable rate mortgage you consider. And make sure you can afford the maximum possible interest rate increase payments.

Sub-prime
If you are unable to qualify for a traditional fixed-rate mortgage, a sub-prime loan may be an option. Sub-prime loans are given to people with a bad credit record. They typically have high interest rates.

Sub-prime loans are considered high-risk loans for borrowers. Be sure to read the section on predatory lending before considering a sub-prime loan, as predatory lending is very common in the sub-prime market.

Comparison chart

The chart below compares 15 and 30 year mortgages for two different loan amounts. It illustrates how term length affects the interest rate, monthly payment, and overall cost of the mortgage. Please note that these interest rates are for illustrative purposes only and not a reflection of current rates. You can try different terms and interest rates using a mortgage interest calculator: https://www.allstate.com/resources/home-insurance/mortgage-interest-calculator.

Loan amount	5% down payment	Term (years)	Interest rate (APR)	Monthly payment	Total interest paid	Total payment
$100,000	$5,000	30	7.311%	$652	$134,720.97	$239,720.97
$100,000	$5,000	15	7.311%	$870.49	$56,688.12	$161,688.12
$200,000	$10,000	30	7.311%	$1,304.01	$269,441.94	$479,441.94
$200,000	$10,000	15	7.311%	$1740.98	$113.376.24	$323,376.24

Predatory loans and mortgages

Predatory mortgage lenders offer loans at very high interest rates that often include unfair pre-payment penalties and/or balloon payments. Balloon payments are large payments due at the end of a loan to pay off the amount monthly payments didn’t cover. Often these terms are hidden within very technical language, making it difficult to understand what you’re being asked to agree to.

Stay away from lenders that advertise guaranteed loan approval. Also, be wary of loans advertised through telemarketers or traveling salespeople. Research the lending company you are considering to see if it has been accused of predatory lending. Read all loan agreements carefully before signing, and make sure there are no blank spaces.

Other resources

If you are interested in pursuing home ownership, look into programs you might be eligible for that could help. These may include:

- First-time home buyer programs
- FHA loans
- VA loans

- HomeReady
- Community land trusts
- Neighborhoods Assistance Corporation of America (NACA)
- Special loans from local governments for houses that need repaired or renovated

Refinancing

f your credit improves or interest rates drop significantly after you purchase a home, you may want to look at re-financing to get a better rate.

Refinancing replaces your current mortgage with a new one, adjusting the term or length of the mortgage, the interest rate, or both. You can change the loan type, and you can also change the lender. There will not be a down payment, but you must be prepared to pay for a home appraisal and between 2-6% of the loan amount for closing costs because this is a mortgage.

Mortgage application process

General lender guidelines

Different lenders use different criteria for loan approvals. Getting a mortgage loan approved depends on how well your finances match the lender's guidelines. Below are some common lender guidelines.

Employment history

Most lenders look for two consecutive years of employment within the same industry. Talk with a lender about what their income requirements are if you are a contract worker or self-employed. Lenders look for stability and use employment history to help evaluate your ability to earn income and repay a loan.

Credit history

Lenders look for a history of on-time payments. Too much debt on credit cards or maxed-out credit lines indicate you may be unable to pay your debt. Try to pay down any short-term debt and don't open new lines of credit at least six months before applying. Try to make sure you don't owe more than 30% of the card limit on any credit cards.

Outstanding liabilities

Many lenders look to see that your total monthly payments for debts (including credit card debt, car loans, student loans, existing mortgages and/or child support you are ordered to pay) in addition to the new mortgage won't exceed 36-42% of your gross monthly income. Some lenders use a "28% rule" and look to see that the mortgage principal, interest, taxes and insurance won't exceed 28% of the borrower's monthly gross income.

Cash and asset reserves

Lenders may request information about your cash available (checking and savings). Many lenders require enough cash and assets be available to cover at least two monthly mortgage payments.

Pre-qualification

Loan pre-qualification is a process that pre-approves a homebuyer for a specific loan maximum. Some realtors will only show houses to prospective buyers who have been preapproved. Pre-qualification can also give you a clearer picture of whether you are ready to purchase and possible home price ranges to look within.

The loan officer will ask you several questions and ask for documents. For example, they will inquire about your income and current debts. After evaluating the information, the lender can provide you with an estimate of the size of loan you could be approved for.

Loan approval

As valuable as loan pre-qualification is, it is not a guarantee of a loan. The actual loan approval process can be long and tedious even if you have great credit history and solid income.

Once you have an accepted offer on a home, then you will begin the mortgage loan application. The application will ask about your identity, employment history, income, monthly expenses, and debts. You will also provide information about the house you want to buy.

The application form is only one part of the mortgage application and approval process.

Credit report check

Another part of the loan approval process is checking your credit. No matter how good your application looks, the lender is likely to reject you if your credit history is poor. Your credit score also impacts the terms and interest rates available to you if your loan is approved.

Some experts recommend checking your credit report before submitting a mortgage application. If you choose to do so, you will want to look for any inaccurate information and begin the correction process with the credit bureau.

Checking other documentation

The loan officer will also likely request tax returns, bank records and proof of income in order to verify the information on your application. If you have a co-borrower or co-signer, they will have to submit the same information.

Mortgage application tips

Get help before you sign

If you're concerned about becoming a victim of predatory lending, have a counselor or attorney review the loan documents before you sign them.

Read the fine print

Watch for balloon payments, high interest rates and fees, and credit life insurance. These are all things you don't want.

Shop around

Comparison shop to get a loan with the best terms and fees. If you don't understand loan terms, ask a housing counselor to review the documents with you.

Avoid high-pressure sales

Don't use a lender that engages in high-pressure sales tactics. Be leery of advertising that promises "No credit? No problem!"

Review total costs

A low monthly payment isn't always a deal. Look at the total cost of the loan. When comparing two options, make sure they include the same items in the monthly cost—some lenders provide an estimate that only includes principal and interest and others include principal, interest, taxes and insurance.

Watch what you sign

Never sign a blank document or any document the lender promises to fill in later.