

Returning to Homeownership





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Welcome to the Starting Over After Foreclosure Toolkit

This toolkit is designed to help people who have been through home foreclosure or are now in the foreclosure process to rebuild their financial lives. There are eight distinct units available for use in this toolkit. They are:

- ▶ Getting a Fresh Start After Foreclosure
- ▶ Reimagining Your Future: What Direction Do You Want to Go?
- ▶ Assessing Your Financial Situation
- ▶ Rebuilding Your Financial Situation and Credit History
- ▶ Finding a Place to Call Home
- ▶ Knowing Your Rights and Responsibilities
- ▶ Getting Prepared, Getting Organized
- ▶ Returning to Homeownership

You may use each of the units in the toolkit when appropriate depending on where you are in the financial rebuilding process after foreclosure. You do not have to read them in order from start to finish, although you could.

This unit is called *Returning to Homeownership*. Determining when it is the right time to buy a new home can be challenging. This unit will help families understand the steps to take to see if they are ready to become new homeowners.



Should I Return to Homeownership or Not?

Returning to homeownership after foreclosure is a personal decision. Understanding what is best for your family is essential in determining your goals for your housing situation. The following table outlines the benefits of renting versus buying a home. Depending on your family's current financial situation and your stage of life, you may be attracted to one particular option. Determine the best option for you and your family.

Table 1. Advantages of renting vs. buying.

Renting	Buying
Free of maintenance obligations	A place of your own, for family and relatives to live; free to change décor and landscaping
When not committed to staying in a house or neighborhood	Tax advantages (consult a tax advisor)
Can move quickly	Stable monthly payments
Lower costs such as renter's insurance compared to homeowner's insurance	Strong sense of community, stability and security
Some features, such as pools, laundry rooms, and playgrounds might be included	Build equity, but no guarantees
Can be less expensive than home ownership	Can be less expensive than renting

Adapted from *Money Smart for Adults, Module 10: Your Own Home* by Federal Deposit Insurance Corporation, 2010.

Review Your Financial Records

Before entering into purchasing a new home, review your financial records, including your credit report. Make sure that you are aware of the financial challenges that exist, and repair any credit that may negatively influence the home-buying process. Visit the unit **Rebuilding Your Financial Situation and Credit History** for more information.

Understand What New Debt You Can Afford

Understanding how much new debt your family can take on is an essential process in purchasing a new home. Reviewing the unit, **Assessing Your Financial Situation**, can help you understand the appropriate level of debt for your present financial state.



Seek out Resources to Assist

Federal resources may be available to assist you in your new housing purchase needs. Local housing counseling agencies may be aware of federal and state funding opportunities. They also may offer free pre-purchase education courses to assist you in the home-buying process. Visit the U.S. Department of Housing and Urban Development (HUD) Office of Housing Counseling (https://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hcc) to find your local housing counseling agency.

What Kind of Home Is Right for Me?

Various types of homes are available for new homebuyers. Learning about the available options can help you and your family to determine the appropriate home. NeighborWorks America has compiled the various options available for new homebuyers.

Table 2. What kind of home is right for me?

Types of Homes	Definition	Ownership	Additional Fees
Detached, single family home	Stand-alone structure Designed for one family	Buyer owns house and land	
Duplex	Two houses attached on a single lot	Buyer owns land and his or her section of the house	
Townhouse	Three or more single family units attached by adjoining walls	Buyer has agreement with neighbor for costs to be shared between both houses that need to be repaired	May require homeowner association fee
Condominium	Attached to another home and shares common area	Buyer makes repairs inside condo Homeowners association maintains outside of home	Requires homeowner association fee
Cooperative	Group ownership	Cooperative nonprofit corporation owns living units and common area; residents own shares of cooperative	May have association fees
Manufactured Home	Home that is transported to a retailer for sale; homes built for permanent residence	Must purchase home and land (or rent the land) Buyer makes repairs inside and outside (if owns the land)	
Modular Home	Similar to manufactured home; factory built with on-site construction	Buyer makes repairs inside and outside (if owns the land)	
Land Lease	Home is built on leased land	Buyer makes repairs inside; land is leased (long term, typically)	Rent payment for the land; in addition to mortgage payment for home

Adapted with permission from *H0250 Homeownership Counseling Certification: Principles, Practices and Techniques: Part I. Manual* by NeighborWorks America, 2009, Tab. 13 pp. 9-10.



Should You Purchase a Foreclosed Home?

If you decide to purchase another home, you may investigate buying a foreclosed property owned by a bank or investor, known as a Real Estate Owned (REO) property. Foreclosed homes often can be attractive: some will sell at below fair market value, while others will offer a low purchase price. However, foreclosed homes also have risks associated with them such as contractual challenges or property issues.

Table 3: REO Purchase Decision Tree

REO Purchase Decision Tree

Decision Factor	Bank Owned REO	Fannie Mae/ Freddie Mac	FHA HUD/VA	Short Sales
Rehabilitated	Not likely	Not likely	No	Possibly in good condition
Special Financing Available	Not likely	Yes	Yes	No
Seller Contribution to Repairs	Possibly	Possibly	Possibly	Possibly
Transaction Length	Long	Long	Long	Long
Affordability	Unknown	Unknown	Possibly	Unknown



TRY IT!

Use the REO Purchase Decision Tree to review the options available for you and your family.

Adapted with permission from *HO260: Counseling Buyers of REO Properties* by NeighborWorks, America, 2011.



TRY IT!

References & Resources

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Are you ready to find a new home? Use the tools from NeighborWorks America (2013) located at the end of this unit, the “Homebuyer’s Wish List” worksheet, the “House Hunting Checklist” and the “Neighborhood Checklist,” to help you find the home that is right for you and your family.





Homebuyer's Wish List

Directions: Using the wish list below, place a check mark in the box that corresponds to each feature that you and your family desire as a need or a want in a future home. For example, if you really need to live in a particular school district, place a checkmark in the row that corresponds with “school district” in the box under the “needs” column. If you just want to live in a particular school district but it’s not absolutely necessary, place a check mark in the box under the “wants” column. After completing the entire wish list, review those items that are needs versus wants. You can use this list to help narrow down your housing search.

Features	Needs	Wants
Location		
School district		
Neighborhood		
Public transportation		
Churches and organizations		
Quiet		
Parks and recreation		
Near friends and family		
Near work		
Near shopping		
Other		
Style		
Older		
Newer		
Traditional		
Contemporary		
Two-story		
Split-level		
Detached		
Multifamily		
Condo		
Other		
Interior		
House Size		
Number of bedrooms		
Number of bathrooms		
Kitchen size		
Kitchen appliances		
Living room size		
Dining room		



Homebuyer's Wish List, continued

Features	Needs	Wants
Laundry room		
Closet space and storage		
Finished basement		
Hardwood floors		
Carpets		
Fireplace		
Other		
Exterior		
Brick		
Stucco		
Wood siding		
Vinyl siding		
Landscaping		
Porch		
Deck		
Large yard		
Fence		
Garage		
Driveway		
Other		
Mechanical Systems		
Forced air heat		
Radiators		
Central air conditioning		
Other		
Other Features		
Other		
Other		
Other		
Other		
Other		

Adapted with permission from "Homebuyer's Wish List," in *Homeownership Counseling Certification: Principles, Practices and Techniques: Part I*, by NeighborWorks America, 2013, HO250, Supplemental Resource.





House Hunting Checklist

Directions: To help organize your thoughts in the house hunting process, complete this house hunting checklist to record notes on each of the homes that you visit. (You will need to make multiple copies of this form if you are visiting more than one home.) As you visit each home, record the information on this checklist to help you make a decision for you and your family.

Address:	
Asking Price: \$	Number of Bedrooms:
Neighborhood (how it looks and feels, transportation, schools, shopping):	
House Style (older, newer, two-story, detached, condo, etc.):	
Construction (type and quality):	
Pluses and Minuses (what you like and what you don't like about the house):	

Condition of Rooms:

Room	Satisfactory Condition	Unsatisfactory Condition
Master bedroom	<input type="radio"/>	<input type="radio"/>
Second bedroom	<input type="radio"/>	<input type="radio"/>
Guest bedroom	<input type="radio"/>	<input type="radio"/>
Living room	<input type="radio"/>	<input type="radio"/>
Dining room	<input type="radio"/>	<input type="radio"/>
Kitchen	<input type="radio"/>	<input type="radio"/>
Bathrooms	<input type="radio"/>	<input type="radio"/>
Other rooms	<input type="radio"/>	<input type="radio"/>
Basement – finished	<input type="radio"/>	<input type="radio"/>
Basement – unfinished	<input type="radio"/>	<input type="radio"/>

Condition of Appliances (Staying):

Room	Satisfactory Condition	Unsatisfactory Condition
Stove	<input type="radio"/>	<input type="radio"/>
Refrigerator	<input type="radio"/>	<input type="radio"/>
Dishwasher	<input type="radio"/>	<input type="radio"/>
Washing machine	<input type="radio"/>	<input type="radio"/>
Dryer	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>

**House Hunting Checklist, continued****Monthly Cost of Utilities:**

Type of Utility	Approximate Cost
Natural gas	\$
Fuel oil	\$
Electric	\$
Water	\$
Sewer	\$
Trash collection	\$
Other	

Heating and Ventilation:

Feature	Satisfactory Condition	Unsatisfactory Condition
Heat pump	<input type="radio"/>	<input type="radio"/>
Forced air	<input type="radio"/>	<input type="radio"/>
Radiator (hot water)	<input type="radio"/>	<input type="radio"/>
Central air conditioning	<input type="radio"/>	<input type="radio"/>
Window air conditioners	<input type="radio"/>	<input type="radio"/>
Ceiling fans	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>

Other Features:

Feature	Satisfactory Condition	Unsatisfactory Condition
Lot size	<input type="radio"/>	<input type="radio"/>
Garage	<input type="radio"/>	<input type="radio"/>
Porch	<input type="radio"/>	<input type="radio"/>
Fireplace	<input type="radio"/>	<input type="radio"/>
Landscaping	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>

Notes:

Adapted with permission from "House Hunting Checklist," in *Homeownership Counseling Certification: Principles, Practices and Techniques: Part I*, by NeighborWorks America, 2013, HO250, Supplemental Resource.





Neighborhood Checklist

Directions: Complete this neighborhood checklist to record notes on each of the neighborhoods that you visit. Using the checklist below, rate each of the following features on a scale of 1 to 5 with 1 being the weakest and 5 being the strongest. For example, you may find that the schools in the neighborhood you are rating are excellent. In that case, put a check mark under “5” in the row for “Schools.” As you visit each neighborhood, record the information on this checklist to help you make a decision for you and your family. (You will need to make multiple copies.) After completing the checklist, review those items that you determine strong (4 or 5). You can use this checklist to help narrow down your housing search and find a neighborhood that is right for you.

Feature	Scale (1 = weakest, 5 = strongest)				
	1	2	3	4	5
Community Services					
Schools					
Child care					
Parks/recreational facilities					
Religious institutions					
Hospitals					
Entertainment					
Police station					
Fire station					
Other					
Convenience					
Close to job					
Near grocery and other stores					
Near public transportation					
Easy access to highway					
Other					
Neighbors					
Near relatives or friends					
Children					
Active community groups					
Other					
Other Features					

Adapted with permission from “Neighborhood Checklist,” in *Homeownership Counseling Certification: Principles, Practices and Techniques: Part I*, by NeighborWorks America, 2013, HO250, Supplemental Resource.

Starting Over

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Evaluation

Please consider taking a short, anonymous survey about how you are using this toolkit.

Your response will help us improve future versions.

Visit:

bit.ly/ForeclosureToolkit