



UNITED TRIBES
TECHNICAL COLLEGE
LAND GRANT EXTENSION

UTTC LAND GRANT EXTENSION

UTTC Lifeskills Lessons – Money Matter\$

Lesson 9: Home – Rent or Own

LS0009

FACT\$:

- If your FICO Credit Score is below 620, you're not going to receive a good interest rate for a home loan. In fact, that kind of score could put you into the hands of a predatory lender.
- Lenders consider two ratios: **front-end and back-end**. Front –end is what you can afford to pay based on income. Monthly expense/ monthly income. Lenders use 28% as the ratio. Back-end means expenses plus house loan divided by income. Lenders typically look for a ratio below 36 percent.
- Renters don't have to worry about maintenance, it's easier to move and can avoid owning a depreciating asset.

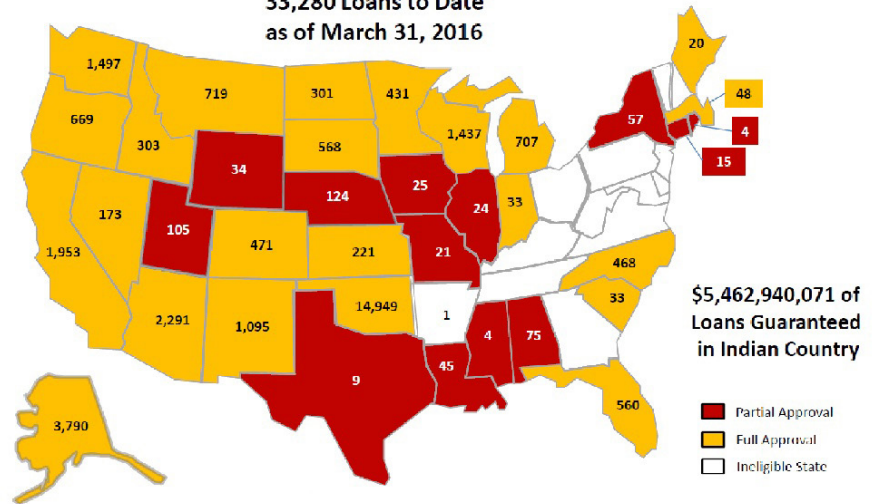


Resources

1. Building Native Communities... Financial Skills for Families
2. www.hud.gov/hudportal/states/north_dakota
3. www.usdaloans.net/?gclid=CISuzd7Mu8wCFYsAaQodGfwCHA

Loans Guaranteed with Section 184

33,280 Loans to Date
as of March 31, 2016



\$5,462,940,071 of
Loans Guaranteed
in Indian Country

Partial Approval
Full Approval
Ineligible State

For Hawaii, see the Native Hawaiian Loan Guarantee, Section 181a

Rev 1.00.12

\$4,171,447,044 of Loans Guaranteed in Indian Country

Section 184 Indian Home Loan Guarantee

The Section 184 Indian Home Loan Guarantee Program is a home mortgage specifically designed for American Indian and Alaska Native families, Alaska Villages, Tribes, or Tribally Designated Housing Entities. Section 184 loans can be used, both on and off native lands. The Program is for new construction, rehabilitation, purchase of an existing home, or refinance.

To help increase Native access to financing, the Office of Loan Guarantee within HUD's Office of Native American Programs, guarantees the Section 184 home mortgage loans made to Native Borrowers. By guaranteeing these loans 100%, we encourage Lenders to serve the Native Communities. This increases the marketability and value of the Native assets and strengthens the financial standing of Native Communities.

Section 184 is synonymous with home ownership in Indian Country. As of 2014, the Section 184 program has guaranteed over 24,000 loans (almost \$4 billion dollars in guaranteed funds) to individuals, Tribes, and TDHEs.

BUYING YOUR HOME

Advantages

1. **You Build Equity.** Historically, homes rise in value anywhere from 4% to 6% per year.
2. **You Can Take Advantage of Tax Breaks.** Homeowners can deduct their mortgage interest payments and property taxes when they itemize their federal income taxes.
3. **You Have a Stable Payment.** If you choose a fixed-rate mortgage, your principal and interest payments remain the same for the duration of the loan. However, your homeowners' insurance and property taxes can change.
4. **You May Be Able to Use Your Home as an Investment.** If you buy a home and choose to leave it, you can rent it out rather than sell and generate income.
5. **You Can Settle in a Community.** Once you commit to owning a home, you are more likely to become more involved in your community because you know you'll be there for years.
6. **You Have the Freedom to Decorate as You Please.** One of the joys of homeownership is the ability to change your environment to suit your tastes.

Disadvantages

1. **You Have to Pay for Your Own Maintenance.** As a homeowner, you must spend time and money keeping your home in good repair.
2. **Your Home May be Difficult to Liquidate.** If you would need to sell because of a job relocation or change in your circumstances, you may not be able to sell your home as quickly as you would like or for as much money as you want.
3. **You Must Pay Property Taxes.** Property taxes can go up, making your home less affordable.
4. **Your Home Could Lose Value.**
5. **You are required to have a cash down payment.**



RENTING YOUR HOME

Advantages

1. **You are not Responsible for Maintenance.** If the garbage disposal breaks or you need a plumber, getting maintenance is as easy as calling the superintendent.
2. **It's Easier to Move.** If you are not settled into your career or could have an opportunity to relocate in the near future, it is much easier to switch to a month-to-month lease or sublet than it is to sell your home.
3. **You Can Avoid Owning a Depreciating Asset.** While home prices have stabilized and are rising in most housing markets, there's no guarantee that your home will increase in value over time.

Disadvantages

1. **Your Monthly Payment Are Not Stable.** Rents have been rising in many cities, so you may be facing an increase in your monthly housing payment as soon as your current lease ends.
2. **You Don't Build Equity.** When you rent, your housing payment provides you with a place to live, but will not provide you with an asset to sell when you are ready to move.
3. **You Don't Receive Tax Benefits.** Homeowners can deduct their mortgage interest payments and their property taxes from their federal income tax. Renters cannot deduct any of their housing expenses.
4. **You Can't Paint or Remodel Without the Owner's Approval.** While some landlords are kind enough to let you paint your apartment, you'll have to get their permission.
5. **Renters Insurance is an Option.**





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HOME – RENT OR OWN

OBJECTIVES:

1. To share and discuss information regarding Section 184 Indian Home Loan Guarantee
2. To identify the difference between back-end and front-end assessment to qualify for a home loan
3. To provide opportunity for personal and situational assessment as to advantages and disadvantages of purchasing a home
4. To allow opportunity for participants to ask questions and connect to home loan counseling

PROCEDURE:

1. Write objectives on the board.
2. Distribute Lesson 9 Talking Sheet.
3. Ask for a volunteer to open session with a prayer, announce the session will open with a minute of silence, or verbalize a short (2-3 sentences) to thank the creator for homes and resources.
4. Ask what participants know about Section 184 and facilitate discussion regarding local tribe referral agency.
5. Ask participants to share their immediate thoughts about disadvantages and advantages of home rental. List, participant responses on the board.
6. Ask participants to share their immediate thoughts about disadvantages and advantages of home ownership. List participant responses on the board.
7. Summarize responses, and ask participants to briefly document for themselves, whether rental or ownership might be best for their current situation.
8. Ask participants to document, on the same sheet of paper, what their “dream home” looks like and what steps are need to make the “dream” a reality.

RESOURCES FOR INSTRUCTION SUPPORT:

1. UTTC Extension Money Matters Lesson 9 Talking Sheet
2. HUD websites for the state you are working in
3. Review Section 184 information
4. Visit County Housing Authority, to become comfortable with Housing Assistance referral and questions
5. Paper for participants to document their assessment for rental or ownership

TIME:

50 minute



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EVALUATION

On a scale of 1 to 5, with 1 being least confident and 5 being most confident, please circle one per question.

Not Confident

Very Confident

Please rate how confident you are in understanding HUD Section 184 Indian Home Loan Guarantee.

1 2 3 4 5

Please rate how confident you are in knowing the difference between front-end and back-end assessment process to gain home loans.

1 2 3 4 5

Please rate how confident you are in being able to compare advantages and disadvantages between home rental and home ownership, based on your current personal situation.

1 2 3 4 5

Please rate how confident you are in knowing who to ask regarding resources such as Section 184 within your tribe or Housing Assistance within the County where you currently live.

1 2 3 4 5

Please rate how comfortable you are in defining a “Dream Home” for yourself and your family and listing things you need to do to build a plan to make the dream a reality.

1 2 3 4 5

New things I learned or understand better because of the lesson

Comments
