



## Home Ownership Basics

Historically, owning a home has been one of the most common ways for Americans to build wealth. Through home ownership, you and your family can grow your wealth and have a strong sense of stability.

As you pursue home ownership, you should know the information that will help you achieve this goal. This article answers important questions about buying a home and the resources that may be available to you.



### How is home ownership different from being a renter?

With renting, you pay a landlord a monthly bill for your apartment or house. The landlord uses your monthly rent to pay their costs to maintain the building (property taxes, loan payments, repairs, etc.). If there is money left over from your rent payment, the landlord can put that money towards their personal wealth.

With homeownership, you pay a large amount for a home, usually through a loan you get from a bank or credit union called a *mortgage*. You repay the mortgage each month for up to 30 years. The amount you owe on the mortgage goes down each time you make a mortgage payment. Over time, your home's value goes up, which gives you home equity--the difference between your mortgage amount and the value of the home. After you repay the loan, the home's value is part of your wealth!

### What do I need to do to get a home loan?

When you decide you want to own a home, you should begin to save a *down payment*. A down payment is money you pay a lender that goes towards the cost of buying a home. The down payment amount depends on your situation and is usually between 3.5% and 20% of the home's sale price, depending on your loan's details.

If you are a first-time home buyer, there may be down payment grants or assistance available to you. For example, the Wisconsin Housing and Economic Development Authority--and other organizations--offer down payment assistance or grant programs for Wisconsin residents. Learn more here: <https://www.wheda.com/homeownership-and-renters/home-buyers/available-programs>

Also, lenders will review your credit report and score when you apply for a mortgage loan. Usually, a minimum credit score of 580 is needed to qualify for any mortgage. However, a stronger credit score & report can give you many more mortgage options that offer you strong terms including fewer fees and a lower interest rate.



If you are committed, understand the basic requirements, and have a strong support network, then you can achieve the goal of home ownership! Learn more about buying a home at: <https://www.fanniemae.com/education>

You can talk about home ownership, and other financial topics, with your county's financial educator. Visit <https://counties.extension.wisc.edu/> for more information.