



Charting Your Course to Home Ownership

Be a Responsible Home Owner

Receiving the keys is just the first step in owning a home. When you sign the closing statement, you take on responsibilities that may be new to you. Taking care of your home properly will help retain and even increase its value, and caring for a home is part of the pride of home ownership.

Maintain Your Home

At the closing or before, ask for the warranties and operating manuals for all home systems and appliances. Home warranty plans, covering all heating, air, plumbing and electrical systems as well as appliances, are usually available at the time of purchase – check with your lender for more information.

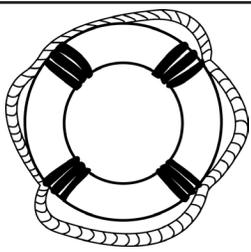
Key maintenance tasks to remember include:

- Change heating and air-conditioning filters at least once a month. You may want to invest in good quality filters that last longer. In the spring have your air-conditioning unit professionally serviced; in the fall, do the same for your heating unit.
- Clean gutters once a month.
- Check your roof and attic for leaks.
- Look for water stains and mold. These can be signs of leaks and hidden moisture. Also check under sinks, in cabinets and behind toilets.
- Change the batteries of your smoke detector(s) and carbon monoxide detector(s) twice a year.
- Do your own walk through home inspection each spring and fall.
- Have an annual termite inspection.

Enrolling in a home maintenance workshop at a local hardware or building supply store can give you the confidence to make your own repairs or improvements. These classes can be very instructive, and stores may offer discount cards or coupons on purchases. Another source of information on home maintenance and repairs can be found online at do-it-yourself Web sites.

Anticipate Maintenance Costs

Expenses of owning a home go beyond the monthly mortgage and utility payments and can create financial difficulties, particularly for first-time home buyers who have minimal savings. Mechanical failures in the plumbing, electrical and heating systems seem to occur at the worst possible times and must be repaired.



Life Saver

When purchasing a new home request a copy of the Louisiana New Home Warranty Act from your contractor or visit. <http://www.lslbc.louisiana.gov/publiceducation.htm> (Acts 1986, No. 676) for complete details of coverage and exclusions.

If you bought a home that was just built, your immediate expenses may be for landscaping, interior decoration and furnishings. Under normal conditions, mechanical items and appliances will be under warranty for six months to a year and will not require a large amount of money but may need minor repairs.

In an older home, replacement of major items can be very expensive. You should know the age of the heating/cooling systems, hot water heater, major appliances and roof. Your pre-purchase home inspector's report should note the ages of these major items. If they are older than half their expected useful life, you will need to plan for the costs of replacement.

If you did not set up a budget for these expenses before you purchased the home, you should begin to save money to deal with these emergencies as soon as possible. If you need help protecting your home from the weather, check with local government agencies. Some offer financial assistance programs to special needs households that pay for home repair or weatherization maintenance expenses.

Prevent Hazards

Hazards can develop in your home that may cause harm or loss. Although home owners insurance is there to help, prevention is your best insurance against these types of risks. The U.S. Consumer Product Safety Commission (CPSC) provides information and tools to protect the public from risks of serious injury or death from consumer products under the agency's jurisdiction. The CPSC helps to protect consumers and families from products that pose a fire, electrical, chemical, or mechanical hazard or can injure children. The Web site is <http://www.cpsc.gov>.

Maintain insurance coverage

Unfortunately, catastrophes and losses to properties may occur at any time. Your home owners insurance protects your home in case of major damage or loss from hazards that are covered by your policy. **In case of a loss:**

Home owner duties

- Provide prompt written notice to the insurance company that you had a loss or damage. Note: If a theft was involved, you must notify the police.
- Document damage with photos or video before cleanup or repair.
- Take steps to protect the property from further damage. For example, cover a damaged roof to avoid water damage.
- Provide insurance adjuster a complete inventory of damaged personal property showing the quantity, description and amount of loss.
- Provide receipts and documents if asked to verify the amount claimed. Keep a copy of all information for your own records.
- Review the settlement steps outlined in your policy. If you're dissatisfied with the proposed settlement offer, explain your position.

Insurance company duties

- Receive and process the written notice from the home owner about the loss.

- Send the home owner a request to complete a proof-of-loss statement certifying that the loss occurred.
- Upon receipt of the written notification, begin the claim investigation.
- Notify the home owner in writing whether the claim will be paid, denied or delayed for further investigation.

If your claim is approved, your home owners insurance company will issue a check to settle the claim. Your mortgage loan may include a clause that requires your lender's name as a co-payee on any claim checks issued to you.

Caution: Consider making minor damage repairs yourself. Claims for minor damages may cause your insurance premiums to increase.

Pay all Utility Bills, Taxes, Assessments, Dues

Home ownership benefits individuals and society by building good citizens, stable neighborhoods and strong communities. These benefits are maintained through local, state and federal taxes. Support your community by paying community and neighborhood dues and assessments. In addition to the great feeling of being able to own your own home and supporting your community; you also get another benefit – a tax deduction on your mortgage interest.

Build peace of mind by paying your bills on time to save money, eliminate late fees and service charges, reduce hassle and avoid disconnected utilities. The key is organization. Review your mail immediately and develop a workable system for filing your bills. Pay bills on a regular schedule or as soon as you get them. For those bills that don't need to be sent out right away, label them with the date you intend to mail them out. Say NO to late fees and higher interest charges!

Control your Amount of Debt and Have a Financial Cushion

If this is your first home, careful planning and budgeting are key to meeting your new financial obligations. Problems you once turned over to the landlord (or your parents) are now your responsibility. And the expenses of maintaining a larger home often grow with its size.

Planning for unexpected situations, as well as the routine costs of owning a home, can help you avoid foreclosure or bankruptcy when emergencies arise. Add the unexpected to your budget. Home owners with minimal cash reserves can often find themselves in financial difficulties if major systems fail. Your budget should also include a reserve for paying your mortgage in the event of illness or loss of income in the future.

Again, build an emergency fund equal to 2-6 months take-home pay for repairs, appliance replacement and other expenses. Find out what sources of financing are available when a major item such as the roof or heating system has to be replaced. These are things that can cost thousands of dollars, and you may have to finance them through a home equity loan, a second mortgage or an installment loan. Determine which kind of loan you are likely to qualify for and weigh the pros and cons of the alternatives.

Maintain your Home and Yard

Lawn care and landscaping will add value to your home, in many cases increasing its worth and that of the neighborhood. Putting money into lawn care and

landscaping will ensure good resale value. If you decide to sell your home, your curb appeal will increase inquiries about your property from potential buyers.

Be a Good Neighbor

What makes a good neighbor? Maintain the area around your home so that it's neat and attractive. Be careful about noises that might disturb your neighbors, such as vacuum cleaners, music, loud talk and barking dogs. Respect your neighbor's privacy. Drive the speed limit or below. Be alert for the safety of children in the neighborhood.

Invite neighbors over for a leisurely visit or to share good news. Invite them to your parties – and be sure that parties end at a reasonable hour. Return anything that you borrow from your neighbor, as soon as possible and express your gratitude for their kindness. Replace anything that you, your children or your pets break or soil.

Be helpful. Offer to collect mail, water plants and watch the pets while your neighbors are away. Learn from neighbors with different cultural backgrounds.

Correct Payment Problems

Contact your servicer immediately if you are unable to make your mortgage payments. (Your servicer is the company that sends you statements and the people you make your payments to.)

Ask your servicer about alternatives to foreclosure, including repayment plans, postponements of regular payments (called a forbearance) and other “work-out” options.

Provide any information requested by your servicer quickly to avoid further foreclosure action – don't wait until the last minute. Servicers must evaluate each borrower's circumstances on a case-by-case basis and go through an approval process to arrange work-out plans. This can take time, so it's important you act immediately to be in touch and promptly provide any information the servicer requests.

Be prepared to provide detailed financial information to assist your servicer in qualifying you for a potential work-out option. Be honest about your circumstances and personal finances – it will help lead to the work-out option that best fits your situation.

Be ready to change your spending habits. By creating a workable budget and understanding where your money is going, you are more likely to be successful in a work-out plan.

Be sure you open all mail from your servicer or your servicer's law firm and return calls promptly. Failure to respond quickly may result in further foreclosure actions and additional costs.

Ask the critical questions:

- What is the anticipated timeline to complete a work-out?
- Will the foreclosure sale be postponed while your servicer reviews the work-out option?

- What are your obligations under the work-out arrangement: due dates, amounts due, how long your servicer will postpone collection of payments, if applicable, and when such deferred payments must be paid back?

If you are not making payments into an escrow account for real estate taxes and insurance, your servicer will likely require that you begin doing that and will work with you to recover any payments already made on your behalf. You can usually save money and get better coverage if you obtain your own home owners hazard insurance policy instead of having your servicer arrange coverage for you.

Stay in contact with your servicer and/or counselor at all times. Notify your servicer and counselor of any change in your circumstances, including new employment or problems with making payments under a work-out plan. Be realistic about your own financial condition. If you cannot afford to keep your property, consider selling it to get your equity out or talk to your servicer about other options to give up your property.

Understand that the servicer is trying to ensure a positive result for you. Be cooperative, honest and keep your promises on any work-out arrangement.

<p>Adapted from: Reichel, C. (1998). <i>Your Path to Home Ownership</i>. Baton Rouge, La.; LSU AgCenter.</p>	
<p>Additional References:</p> <ul style="list-style-type: none"> • Berry, A. (2005). <i>Filing Insurance Claims</i>. Retrieved March 31, 2008 from http://www.lsuagcenter.com/NR/rdonlyres/0627181E-897E-40A0-89AF-1C9215C42D08/25560/Pub2949GInsuranceClaimsFINAL.pdf • Berry, M. (2008). <i>Lawn Care and Landscaping: Do it Yourself or Hire it Out</i>. Retrieved March 31, 2008 from http://ezinearticles.com/?Lawn-Care-And-Landscaping-Do-It-Yourself-Or-Hire-Out&id=406462 • Mortgage Bankers Association. (2008). <i>Being a Home owner</i>. Retrieved March 31, 2008 from http://www.homeloanlearningcenter.com/Step7BeingAHomeowner.htm • Louisiana State Licensing Board for Contractors. Retrieved June 30, 2008 from http://www.lslbc.louisiana.gov/pdf_files/NewHomeWarrantyAct.pdf 	
<p>LSU AgCenter Writing Team: Jeanette A. Tucker, Ph.D., Professor Deborah L. Hurlbert, Extension Associate Deborah C. Cross, Extension Agent, Iberville Parish Sheri Richard Fair, Extension Agent, Ascension Parish Cynthia C. Richard, Extension Agent, Calcasieu Parish Cynthia B. Stephens, Extension Agent, Ouachita Parish</p> <p>This material is based on work supported by the Restoring Home Ownership in Louisiana Hurricane Recovery project funded in part by USDA Cooperative State Research, Education and Extension Service, Smith-Lever Special Needs project number 2007-41210-03986.</p>	<p>Visit our Web site: www.lsuagcenter.com Louisiana State University Agricultural Center William B. Richardson, Chancellor Louisiana Agricultural Experiment Station David Boethel, Vice Chancellor and Director Louisiana Cooperative Extension Service Paul D. Coreil, Vice Chancellor and Director Pub. 30878-A 09/08</p> <p>Issued in furtherance of Cooperative Extension work, Acts of Congress of May 8 and June 30, 1914, in cooperation with the United States Department of Agriculture. The Louisiana Cooperative Extension Service provides equal opportunities in programs and employment. This institution is an equal opportunity provider.</p>

