

Financing Terminology Matching Activity

Overview

Participants learn some of the terminology associated with the financing process. The objective is to help participants become familiar with financing terminology before going into depth about the financing process for manufactured homes.

Time

15–20 minutes

Materials

Colored paper with financing terms and definitions.

Set Up

- Put each term and definition on a separate piece of paper.
- Mix up the terms and definitions.

Activity

- Give each participant a piece of paper with a mortgage term or definition.
- Ask everyone to stand.
- Explain that each person now has a piece of paper with either a mortgage term or a definition. Each person must find the person who has the piece of paper with the corresponding term or definition (example: 4 Cs of Credit = Capital, Credit History, Capacity and Collateral). Let them know that when two people are matched, they should stand near the edge of the room to make space for those who remain unmatched.
- Conduct the activity.
- After all participants appear to be matched, ask everyone to read their terms and definitions aloud in turn.
- Review the mortgage terms and the correct definitions using an overhead, flipcharts or PowerPoint.

Debriefing

- How many of you were familiar with most of the mortgage terms?
- Which terms were unfamiliar to you?

Financing Terms and Definitions

Loan-to-Value: The ratio of the loan balance you owe, compared to the value or price of a manufactured home.

Down Payment: The amount of cash you pay toward the purchase price of a manufactured home.

Closing Costs: Expenses over and above the purchase price of a manufactured home that are incurred by financing and the transfer of ownership.

Loan Term: The amount of time you have to pay off a loan.

Interest Rate: The cost of borrowing money.

Annual Percentage Rate: The total cost of credit, including the interest, points and certain other fees charged by a lender.

Point: One percent of the loan amount.

Mortgage Insurance: A policy which may be required by the lender for real estate financing if your down payment is less than 20 percent of the price of the home, to protect the lender in case you default.

Escrow Account: A special account set up by the lender to collect and pay for real estate property taxes, homeowners insurance and mortgage insurance, if required, as part of your monthly loan payment.

Amortization: The gradual repayment of a loan by installments.

Loan Fees: Costs associated obtaining a mortgage.

Pre-approval: When you apply for a loan before you have found the home you want to buy.

Loan Documentation Checklist

General Documents

- Social Security card and driver's license or other picture ID

Documents to Support Income

- The name, address, telephone number and fax number of every employer you have had in the last two years
- Most recent two months' pay stubs
- If you are self-employed, income tax returns for the last two years

Evidence of All Other Income, Including:

- Child support payments
- Pension payments
- Seasonal employment
- Government assistance
- Social Security benefits
- Statements of stock dividends
- Income tax returns for last two years, including W-2s and all attached schedules

Documents to Support History of Consistently Paying Housing Expenses

- Letters from landlords stating where you lived for the last two years, dates you lived there, rent per month and how many times you were late with your rent payment. If you cannot get a letter from the landlord, you should provide the name, address and telephone number of each landlord for the past two years, the amount of your monthly rent payments, and 12 months of rent receipts or canceled checks for each landlord for the past two years.

Documents to Support Savings and Recent Bank Activity

- Most recent savings account statement(s)
- Most recent checking account statement(s)
- Most recent brokerage statements showing stocks and bonds balances and recent transactions

Documents to Support Current Debts

- For each creditor (bank, credit card or person) with whom you have an outstanding debt: name, address, account number, balance and monthly payment

Documents to Explain Irregularities

- Letter of explanation for any negative credit items
- Letter of explanation for any gap in employment
- Chapter 7 or Chapter 13 bankruptcy discharge papers and list of creditors

Other

- Veteran's certificate of eligibility
- Certified copies of divorce decree and separation agreement
- Name, address and telephone number of the person to whom you pay child care