

CAAB's newsletter is designed to ensure that our IDA/MDA Savers are fully informed about relevant money management topics, effective savings strategies, financial education opportunities in the DC area and upcoming CAAB events. Every month, we will feature a different article focusing on strategies or products that can help you plan for and achieve your savings goals.

If owning a home is your 'American dream,' get the facts first

By Jason Alderman from www.practicalmoneyskills.org

When my wife and I signed our first mortgage in 1999, we had to keep convincing ourselves we were doing the right thing. Renting was safe, but buying a home was a major commitment with many big risks. We had long weighed the pros and cons of buying a home and ultimately decided to take the plunge.

But homeownership is not always right for everyone or at every stage of life. With the real estate market softening nationwide, what seemed like a "no brainer" for many years has become a more complicated decision. It's a long-term commitment filled with expenses (expected and unexpected) and responsibilities.

That said, the upsides of owning a home – not to mention the tax advantages – are why two-thirds of Americans are homeowners. It can be one of the best long-term investments you can make for your financial future.

Here are a few of the many things to keep in mind:

Planning. If you eventually want to own a home, start planning now. It may take years to save enough for a down payment and closing costs. You'll also need to calculate how much you can afford to

pay for a monthly mortgage, homeowner's insurance, property taxes, furnishings and maintenance or repairs. And while owning may seem costly compared to rent, you can write off much of your loan interest and some closing costs from your taxes.

Qualifying for a loan. Even if you've saved enough, if your credit rating is poor, you may either not qualify for a loan or have to pay a higher interest rate. Work on repairing your credit at the same time you launch a savings plan.

Down payment. Many loans are now available with down payments of 10 percent or less, particularly for first-time homebuyers. However, the lower the down payment, the higher your monthly payments. Your bank's mortgage specialist or a reputable mortgage broker can walk you through scenarios that fit your situation.

PMI. If you don't put at least 20 percent down, you will likely be required to purchase Private Mortgage Insurance (PMI), which protects the lender if you default on your loan. Once your loan principal amount drops to 80 percent of your home's total value, you can jettison PMI. It can be very costly (up to 20 percent of your monthly payment), so get rid of PMI as soon as you can.

Mortgages. Common mortgages available include fixed rate, adjustable rate, and sub-prime (for poor credit risks). For a comprehensive overview of how different mortgages work, check out Bankrate.com's Mortgage Basics section (www.bankrate.com/brm/green/mtg/basics-toc.asp).

Another good resource is Practical Money Skills for Life, a free personal financial management site sponsored by Visa USA (www.practicalmoneyskills.com/homeowner). It contains a nine-step guide to homeownership, including preparations you should take to qualify for financing and a discussion on how real estate agent commissions work. It also has an interactive calculator that helps you estimate how much you can afford to spend on a home.

Homeownership is not without its share of headaches – like the time when all the Eisenhower-era appliances in our first home died within a four-week period. But in the long run, it's a strong investment in your future – and besides, it's nice to be your own landlord.

More information about retirement planning and other financial tips can be found at www.practicalmoneyskills.com. As always, consult a financial professional regarding your particular situation.

CONGRATULATIONS!

The following savers have made asset purchases in the month of January. Will you be next?

Milagros Alonso
Homeownership

Maria Bonilla
Homeownership

Pam Johnson
Business

Taryn Jones
Education

Ivin Randall
Education

Danielle Simmons
Education

Jony Villatoro
Education

Suhey Dominguez
Education

Jennie Huffman
Education

William Leong
Education

Need help filing your tax returns?

The DC EITC Campaign provides free tax preparation and electronic filing services to low-income residents at twenty locations throughout DC. Visit www.dceitc.org or call 202-463-6211 to find a free service near you. Tax sites are open afternoon, evening and weekend hours from late January through mid-April. This year, file smart and save more.

UPCOMING EVENTS

- HOMEOWNERSHIP -

Workshops on Home Buying Every Wednesday at 10:00 AM and Friday at 11:30 AM

Home Resource Center
815 Florida Avenue NW
-For more info, call (202) 777-1600.

Pre-Purchase Orientation Every Thursday 11:00 AM - 1:00 PM

Housing Counseling Services
Training Center, 2410 17th Street,
NW Suite 100
-For more info, call Elsa Zambrano
at (202) 667-7006 or e-mail
elsazambrano@housingetc.org.

- JOB TRAINING -

Training and job placement services

Ongoing
Goodwill of Greater Washington
-To participate in training and job
placement services program, contact
Ms. Gladney at (202) 715-2627 to
schedule a date to complete an
application for services and
orientation/interview.

- SMALL BUSINESS -

Learn How You Can Write Your Own Business Plan On business days except for holidays 9:00 AM - 4:00 PM

Department of Employment Services
64 New York Avenue, NE
-Register by calling Ralphine P.
Beaton at (202) 671-2144 or e-mailing
Ralphine.Beaton@dc.gov

Financial Management for your Small Business Thursday, February 22nd, from 6:30- 9pm

Location: SEU, 501 I Street, SW
Metro: Waterfront-SEU
This seminar will help you understand
basic practices in financial
management, and build the basic
systems and practices needed in a
healthy business. Cost: \$40

How to Create & Understand Financial Statements Wednesday, February 28th, from 6:30-9pm

Location: SEU, 501 I Street, SW
Metro: Waterfront-SEU
Cost: \$50

Certificate in Entrepreneurship Starting in March 6, 2007

The Certificate in Entrepreneurship is a non-credit training program designed to provide aspiring and existing small business owners with extensive education in eight (8) key topic areas essential to running a successful small business.

- 6 classes (a total of 96 hours of training) for \$199 each.
- 2 free online courses- Business Planning & IT Planning for Small Businesses
- Additionally, each participant will receive one year of free virtual technical assistance with the Certificate Program.
- Free individual weekly counseling sessions for all participants
- This 6- month Certificate Program will be completed by October 15 2007.

Location: All courses will take place at SunTrust Bank, located at 1445 New York Ave, NW. from 6:30 p.m. to 9:30 p.m.

By the end of the program, you will have completed the following deliverables:

A business plan, marketing plan and strategy, mission statement, employment application, staffing plan, position descriptions, information technology plan, budget, cash flow statement, income statement, personal and business financial plans, marketing brochure, a press release and much more.

To register, please call (202) 478-8231.

Visit their website at www.seu.edu.

You can also send an email to
entrepreneur@seu.edu.

CAAB CORNER

Want to put your creative side to a test? Enter CAAB's Tagline Contest and win \$100 for your IDA or MDA savings!

CAAB's current tagline is "Saving for the Future" and we'd like to adopt a new tagline to include all of CAAB's programs (like financial education, credit counseling, advocacy work, and free tax services). So tell us (in eight words or less) what CAAB means to you! The contest is open to all IDA/MDA savers and the winner will be announced in CAAB's April Newsletter. The winner will receive a prize of \$100 (deposited directly to the winner's IDA or MDA account and eligible for a match). The tagline must contain eight or fewer words. Entries can be submitted via email to Toinnette Marshall at tmarshall@caab.org or through USPS by mailing to Attn: CAAB Tagline Contest, 1801 K Street NW, Suite M100, Washington, DC 20006. Entries must be received by March 31, 2007. Incomplete entries will be disqualified. All entries shall become the property of CAAB. CAAB is not responsible for lost, delayed, or misdirected entries and is not obligated to adopt the winning tagline.

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