

# MONEY SENSE

**Genesis**  
FINANCIAL MANAGEMENT INC.

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## NEW BEGINNINGS, DEBT FREE

### Advice for the First-Time Homebuyer

Buying a home can seem like an intimidating process, especially for the first-timer, but the most critical piece—how you will finance it—is not so hard to understand once you know the three key things that lenders look for when you apply for a mortgage.

1. **Your credit score**—most loan decisions are credit-score driven, and the higher your score, the better the rates you will qualify for. Anything over 700 is generally considered “A” credit. 650-700 is still a pretty good place to be. With a score in the 600-650 range, you may still get that loan, just not at the most favorable rates (i.e., you may be looking at refinancing in a few years to bring your payments down). If your score falls below 600, the terms of the loans you’ll be offered may make them too costly for you, and you’ll lose a lot of your buying power. You may however be able to compensate for a low credit score by having . . .
2. **A large down payment.** Although it is possible to find a “0” down loan, most lenders will still require you to invest at least 3-5% of your own money

into the purchase. However, you may be able to use money that’s been gifted to you by a relative or through a first-time buyer assistance program. If you can make at least a 20% down payment, you won’t have to pay for Private Mortgage Insurance, which can add several hundred dollars to your monthly payment.

3. **Reasonable debt-to-income ratios**—lenders don’t want you to borrow more than you can afford to pay back. Typically, they don’t want you to spend more than about 28% of your gross monthly income for a mortgage payment, including taxes and insurance. And they don’t want your total debt, including car loans, credit cards, etc. to equal more than about 36% of your gross monthly income. If you have no other debt, your home-buying power increases. With an FHA loan, you may be able to apply as much as 41% of your income to total debt.

Don’t despair if you’re weak in one of these three areas. Having two out of the three working for you may still enable you to make your home-buying dreams a reality.

### Dollar Savers: Travel

**Be flexible**—the more leeway you have in your travel dates, the better the deals you can get. It’s usually cheaper to travel midweek than over a weekend.

**Shop around for airfares**—check online sites like Travelocity, Expedia, Orbitz or Hotwire. Or use a site like Tripstalker that will search for you.

**Rent cars away from the airport**—it usually costs less. Also rent early. You can book a car for less in the “low season” even if you’ll be using it in the “high season.”

**Pre-purchase necessities**—like film, bottled water, sunscreen, etc. Tourist hot spots will sell these but at a much higher price.

**Find the deals**—visit the Chambers of Commerce or Visitor’s Centers in the places you’ll be visiting for coupons to local restaurants and discounts on attractions as well as ideas for free or low cost activities.

**Bring your own grub**—take along a cooler stocked with snacks so you’re not spending money at every rest stop.

### Payment Address

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Remember to monitor the monthly statements the creditors send you to ensure that your debt management payments are being applied correctly and to watch for any potential problems—late fees, unchanging interest rates—that may need to be brought to our attention.



#### At What Cost

There are many ways to borrow money fast when you need it, but beware— the costs can be outrageous. The following are short-term loans whose fees may not seem that bad at first glance, but their effective APR's reveal the true cost.

Payday loans— effective APR is 400-500% a year!

Rapid Tax Refund

Loans— APR runs into the hundreds of percent.

Rent-to-Own— APR can be 100-300% or more, and you end up paying many times what the item is worth.

**Homeowner's Insurance is not a "set it and forget it" thing. Neglecting your policies could cost you dearly.**

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## Your Investing Toolbox: Stocks

When you buy shares of stock, you're buying shares of a company that you hope will prosper.

Stocks are also referred to as "equities," and most financial experts agree that over the long run stocks have performed better than most any other financial asset. But they also carry greater risk than most any other asset as well. They have the potential to make or lose people a lot of money, as you've probably heard on many a news story.

You make money off of stocks when they increase in value and/or when they pay out dividends. There are no guarantees on your investment, and the value of stocks can be affected by everything from the general economy to changes in the industry of which your company is a part. There are, however, different categories of stock that vary in their rate of risk— from income stocks on the more stable end up to aggressive growth stocks on the other.

The best way for a beginning investor to purchase stocks is through a stock mutual fund (which may already be a part of a 401k or IRA plan) or through a direct stock purchase plan that allows you to buy small slices of stock directly from companies without setting up a brokerage account. You don't need to invest a lot to get started. You can find examples of companies that offer direct purchase plans through a site like <https://vault.melloninvestor.com/jsp/enroll/Search.jsp>

## Money Smart Topic of the Month: Homeowner's Insurance

We've all seen the damage mother nature can do: hurricanes, blizzards, tornadoes and more can turn lives upside down in mere seconds. We can't stop these things from happening, but we can mitigate the financial devastation by periodically reviewing our homeowner's insurance policies to ensure we're adequately covered.

First, make sure you're paying a fair price. Visit your state's department of insurance site at [naic.org](http://naic.org) for sample rates currently being offered by companies, or go through a national comparison site like [insure.com](http://insure.com).

Then make sure you have the right kind of coverage. Your homeowner's policy

should include "replacement cost coverage" that would allow you to replace damaged possessions at today's prices instead of for "actual cash value" which is what they were worth at the time they were damaged or stolen.

You may also want to consider "Building Ordinance Coverage" if your home is more than five years old. It adds a little to your premium but would help defray the costs of bringing wiring and other features up to local building codes if you have to rebuild.

Even if you're not in a flood zone, you may want to consider Flood Insurance, which pays for damage from

heavy rains that may not be covered under your standard policy. Visit [floodsmart.gov](http://floodsmart.gov) for more information and an estimated quote.

Make sure that your policy is keeping pace with the increasing value of your home and/or possessions. For example, if you've recently added a room or garage, done some remodeling, or purchased expensive electronics, jewelry, art, etc., you may need to increase your insurance coverage or add riders to protect your belongings.

Finally, make sure you know where all of your policies are located before you need them.

### Please Note: Send Instructions With Partial Payments

This month's note is especially important. Please remember to send us instructions when you send in partial payments. You've entrusted us with your financial well-being, and we want to ensure your payments go out in a timely manner to the correct creditors in the way that you desire. If we re-

ceive a payment that is less than what we normally disburse to your creditors, and we're unable to verify how you'd like it to go out, we will allow our disbursement system to distribute it automatically, and some creditors may not receive the correct amounts, which can affect the benefits you are

receiving on the program.

Please enclose written instructions with your partial payments or let us know of your wishes with a phone call to one of our Client Services counselors at 800-460-8641.

Congratulations on your progress!

**Check Us Out Online!: [www.YourGFM.com](http://www.YourGFM.com)**