

Go South Side!

HOW TO PUT DOWN YOUR ROOTS IN SOUTH ST. LOUIS

HOW THE DOLLARS MAKE SENSE WHEN BUYING A HOME

How Much Should Housing Cost?

Ideally, your housing costs should be roughly 30% of your income. That includes your rent or mortgage payments, utilities, taxes, insurance, and all the other expenses that come with keeping a roof over your head.

But many people live outside of these ideal conditions. People who spend over 30% of their income are considered to be **housing cost-burdened**. In the U.S., 27 percent of households with a mortgage are housing cost-burdened. But a whopping **50 percent of renters are spending more than they can afford for housing**.

If you're on the fence about renting versus owning, take time to compare. What do you pay in rent? And what would a mortgage payment be on a home that meets your needs?

The Costs of Homeownership

A significant hurdle to homeownership for many people is the fear of extra expenses. And that's fair! Homeowners can't call their landlord when the water heater breaks or the sewer backs up. It's up to them to find a fix and foot the bill.

And there are other costs you might not think of when you go from renting to buying. While typical renters pay their own electric, gas, and internet or cable bills, homeowners also have to pick up the tab for water, sewer, and trash service.

When you have a mortgage, you're also responsible for maintaining homeowner's insurance. You'll also be paying annual real estate taxes to the city. However, these expenses are usually rolled into your mortgage payment, held in an escrow account, and paid on your behalf by the mortgage servicing company.

It's worth noting that, even if you rent, you're still paying for all of these expenses too, but indirectly. Your landlord rolls all of these



costs into your monthly rent to make sure their own bills are paid, plus a little extra to make a profit.

So What's the Upside?

STABILITY

Has your landlord ever raised your rent? Probably. And if you've shopped around for another apartment or rental home lately, you've likely noticed that rents keep going up and up. But when you sign a mortgage agreement with a fixed interest rate, your monthly mortgage payment stays virtually the same for the life of the loan. You have far greater control over your monthly housing expenses when you're a homeowner.

FLEXIBILITY

If interest rates go down, you can refinance at a lower rate and save on your monthly payment. If you advance in your career and find that you can afford a bigger payment, you can refinance from a 30-year loan to a 15-year loan and build equity and own your home outright much more quickly.

EQUITY

Those unexpected repairs and other projects have benefits too. Even though it may hurt initially to pay for a new furnace or sewer line, those investments increase the value of your home. Likewise, when you renovate your kitchen, install new windows and doors, build a deck, and make other improvements, your home's value goes up.



The difference between what you owe and what your home is worth is called **equity**, and equity gives you leverage. Once you've accumulated equity through your regular mortgage payments, improvements to the property, and increases in overall property values in your neighborhood, you have a pool of money that you can tap into for a variety of financial needs. Many homeowners use the equity in their home to finance major renovations and upgrades. You can use your home's equity to consolidate and refinance debt like credit cards and loans. Use it to go back to school and advance your career. Or just let it be, and take comfort knowing that you have a reserve that you can tap into when an emergency or opportunity strikes.

WEALTH BUILDING

Not only does the equity in your home open up new financial opportunities for you, but many of those opportunities can end up paying for themselves! And this is the key to building wealth for yourself and your family. Owning an asset that you can leverage creates a world of possibilities that are simply not available to renters. And having an asset that you can hand down to your kids creates generational wealth, setting up your children and grandchildren for greater success in the future.

SENSE OF OWNERSHIP

And finally, while it can't be measured, there is immense value in having a home that you can truly call your own. Homeownership offers stability and removes much of the uncertainty that comes with renting. While there is nothing wrong with renting if you choose to or need to, many renters don't feel the same sense of belonging that their homeowner neighbors have. Having the freedom to choose the color of your walls or plant flowers in the front yard brings you closer to where you live.



How Much Can I Afford?

Many factors come into play when determining if homeownership is feasible for you. Your income, credit score, and existing debt obligations all affect how much money a mortgage lender can offer you to purchase a home.



However, there are lots of programs to help you find out where you need to be financially and get you into a home you can afford. Go South Side! partners like Prosperity Connection and LifeWise StL can help you review your credit report to assess your financial position. If you need help bringing up your credit score or adjusting your household budget, they're happy to help at no cost. And St. Joseph Housing Initiative's Homeowner Readiness Academy can also help you prepare, financially and otherwise, for your homebuying journey.

If you're a first-time homebuyer and financially ready, many organizations and lenders can help you get up and running. Assistance with down payments and closing costs, reduced interest rates, and other special financing tools are available through a wide variety of programs, many of which provide additional incentives for low-income and moderate-income homebuyers. These programs can drastically reduce your upfront costs or your monthly mortgage payment and make your South Side dream home a reality!



St. Joseph Housing Initiative

 stjosephhousing.org
 (314) 471-0282



Justine Petersen

 justinepetersen.org
 (314) 533-2411

Prosperity Connection

 prosperityconnection.org
 (314) 499-9698 / (314) 917-3871 (Español)

LifeWise StL

 lifewisestl.org
 (314) 421-0400

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AFFORDABILITY: DOING THE MATH

What Is “Low-Income” and “Moderate-Income”?

The table below illustrates the definitions of “very low-income,” “low-income,” and “moderate income.” These terms are based on the **area median income (AMI)** for a household of four. In the St. Louis area in 2025, the area median income was \$111,400. Households that earn 30 percent or less of AMI are considered **extremely low-income**; between 30 and 50 percent of AMI is considered **very low-income**; and 50 percent to 80 percent of AMI is considered **low-income**.

Lenders will use the figures below to determine your eligibility for special financing programs. For example, if you have a family of four and a household income of \$55,700 or less, you would qualify as low-income.



Household Size	1	2	3	4	5	6	7	8
30% of AMI	\$23,400	\$26,750	\$30,100	\$33,400	\$37,650	\$43,150	\$48,650	\$54,150
50% of AMI	\$39,000	\$44,600	\$50,150	\$55,700	\$60,200	\$64,650	\$69,100	\$73,550
80% of AMI	\$62,400	\$71,300	\$80,200	\$89,100	\$96,250	\$103,400	\$110,500	\$117,650

What Is “Affordable”?

Ideally, your housing costs should be roughly 30% of your income. That includes your rent or mortgage payments, utilities, taxes, insurance, and all the other expenses that come with keeping a roof over your head. People who spend over 30% of their income are considered to be **housing cost-burdened**.

The chart below shows what 30 percent of the monthly incomes illustrated above looks like. For example, if you have four household members and a household income of \$55,700, then your total monthly housing costs should be around \$1,393 to remain affordable.

Household Size	1	2	3	4	5	6	7	8
30% of AMI	\$585	\$669	\$753	\$835	\$941	\$1,079	\$1,216	\$1,354
50% of AMI	\$975	\$1,115	\$1,254	\$1,393	\$1,505	\$1,616	\$1,728	\$1,839
80% of AMI	\$1,560	\$1,783	\$2,005	\$2,228	\$2,406	\$2,585	\$2,763	\$2,941



Is It Affordable for a Family of Four?

While figuring out if you can afford an apartment is fairly simple (rent + utilities = housing costs), doing the math when buying a home is a bit less straightforward. It's hard to guess what a \$150,000 home will cost on a monthly basis without some help.

As a homeowner, your monthly housing costs include:

- Mortgage principal and interest
- Real estate taxes
- Homeowner's insurance
- All utilities (gas, electric, water, sewer, trash, etc.)

Your mortgage payment usually includes your payment to the loan (principal + interest) as well as a payment toward an escrow account that covers your real estate taxes and homeowner's insurance.

With that in mind, below is an estimated mortgage payment for a family of four in various income brackets. The first table assumes that you will finance 100 percent of the purchase price at a 6.5 percent fixed interest rate. Keep in mind these are only estimates—rates, down payment requirements, and other factors can vary based on your specific circumstances.

Selling Price	\$100,000	\$130,000	\$160,000	\$190,000	\$220,000
30% of AMI \$33,420 household income \$836 monthly housing	\$882	\$1,084	\$1,286	\$1,488	\$1,691
50% of AMI \$55,700 household income \$1,393 monthly housing	\$882	\$1,084	\$1,286	\$1,488	\$1,691
80% of AMI \$89,120 household income \$2,228 monthly housing	\$882	\$1,084	\$1,286	\$1,488	\$1,691

The green cells indicate that your estimated mortgage payment falls within the affordable range of 30 percent of your household income. Yellow means you might be stretched a bit beyond that 30 percent range, especially when you add in utilities and other expenses. Red shows that you may have surpassed your means. But as you can see, even a low-income family of four earning roughly \$55,000 a year may have some affordable options.

Let's make another assumption: you are a qualified first-time homebuyer, so your lender has offered you a special down payment assistance incentive of \$5,000 plus a waiver of mortgage insurance while remaining at the 6.5% interest rate. It may not sound like a lot, but look below to see the impact of that assistance and a few more possibilities opening up.

Selling Price	\$100,000	\$130,000	\$160,000	\$190,000	\$220,000
30% of AMI \$33,420 household income \$836 monthly housing	\$809	\$998	\$1,188	\$1,378	\$1,504
50% of AMI \$55,700 household income \$1,393 monthly housing	\$809	\$998	\$1,188	\$1,378	\$1,504
80% of AMI \$89,120 household income \$2,228 monthly housing	\$809	\$998	\$1,188	\$1,378	\$1,504

Again, these are just examples and estimates, but you can see that homeownership can be more affordable than you may have thought! Talk to lenders and ask about special financing for first-time homebuyers and low- or moderate-income families and work with our Go South Side! partners like St. Joseph Housing Initiative to find out about other programs. And work with a real estate agent to explore some of the beautiful South Side homes that offer amazing value and a chance to build wealth and put down your roots!

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HOW TO BUY A HOME

Step 1: Assess Your Finances

Check your credit score: lenders typically look for a credit score of at least 600 when financing the purchase of a home.

Check your income: a good rule of thumb is that the cost of the home you purchase should be no more than 3 to 5 times your annual income. So, if you make \$50,000 a year, you can shop for homes in the range of \$150,000 to \$250,000—though many other factors should also be considered.

Check your savings: although there are many programs for first-time buyers and other special financing options to minimize down payment requirements, it's good to have some savings on hand to pay for upfront costs like earnest money, home inspections, and closing costs. Plus, whatever you can contribute towards a down payment can significantly reduce your mortgage payment and help you get a better interest rate.

Step 2: Get Pre-Approved

Find a lender: explore the programs that meet your needs and find a lender who offers those programs: special financing for first-time, low-income, and moderate-income buyers, down payment assistance, and other incentives to help make your home more affordable. Ask friends and neighbors who they have enjoyed working with to help narrow down your list.

Apply for pre-approval: being pre-approved for a mortgage is essential to being able to pounce when your dream home comes along. Most sellers won't accept an offer without proof that you can afford the home. Pre-approval means that a lender is ready to finance your purchase and tells you how much you can look to spend.

Step 3: Start Shopping

Find a real estate agent: if you're looking for homes in a specific area, it's a good idea to find an agent familiar with that area. They can help you navigate the local market and point out what to



look for and what to avoid. They will also guide you through all the negotiations and other tasks involved in making an offer on a home. Again, it's a good idea to ask your neighbors and friends about agents they have worked with in the past.

Look around: your agent will help you find homes that meet your criteria for price, location, and features. Your agent can also take you to view specific homes you have in mind.

Step 4: Make an Offer

When you've found the place that you can't pass up, tell your agent that you're ready to make an offer. Your agent will advise you whether you should offer the asking price, or perhaps more or less depending on a variety of circumstances.

In a hot market, you may be competing with other buyers who are submitting bids at the same time. And the buyer may consider any number of factors when deciding which bid to accept.



The buyer may also make a counter-offer. Your agent will help you handle all of the back-and-forth and negotiating.

Most offers are accompanied by an earnest money deposit, typically a one to three percent of the asking price that indicates to the buyer that you are serious about purchasing the home. Don't worry—if your offer isn't accepted, you'll get the deposit back. And if the purchase goes through, the deposit will be applied to the purchase price. But if your offer is accepted and you then decide to back out, you will forfeit the deposit.

Step 5: Get a Home Inspection

If your offer is accepted, you'll want to get a home inspection next. Many offers include contingencies for home inspections so that if a major flaw is uncovered, you can back out of your offer without forfeiting your earnest money deposit.

When hiring a home inspector, again, ask around. Your friends, neighbors, and real estate agent can all help point you to a reliable and trustworthy home inspector.

Licensed home inspectors will examine the house from top to bottom and document their findings for you and your agent to review. They'll point out the good, the bad, and the ugly. Sometimes you'll find only minor cosmetic fixes are necessary and decide to handle them yourself. Other times, there may be significant repairs needed, like a barely-functional water heater or a leaky roof, that you can negotiate with the seller to either have repaired prior to purchase or adjust the selling price of the home accordingly. It's possible that your inspector will find a deeply concerning issue, such as a major structural problem, that may make you second-guess your offer. At this point, if you and the seller can't come to an agreement on a remedy, you can back out of the deal.

Based on the inspection findings, your agent will negotiate any sticking points with the seller and hopefully come to a mutually beneficial agreement that details any repairs and/or adjustments to the selling price to be made. This is essentially your final offer, and if the seller agrees, then you're on your way to closing.

Step 6: Close on Your New Home

Now begins the waiting. Typically, closing on a house takes about 30 days, barring any unforeseen circumstances. Your lender can give you a more precise estimate of how long the process may take. It is important during this time to keep an eye out for communications from your lender and your agent so that you can promptly provide any additional information they need.

Your closing date is approaching. But before you sign on the dotted line, make sure to do a walk-through of the home with your agent to ensure that any promised repairs have been completed and that the house is otherwise in the same condition it was when you made your final offer.

Your agent will be working in the background to make sure all the other details are ironed out between you, the seller, the title company, and the lender. On closing day, you will usually meet

with your lender at a title agency, where you will sign a mountain of paperwork. The lender will provide you a list of what to bring, including a cashier's check for your down payment and any other upfront costs that were previously agreed to.

Once everything is signed, your agent will give you the keys to your new home. Congratulations!

That Sounds Like a Lot!

It certainly is! However, with the right team by your side, the process runs smoothly.

While it's essential to have trusted professionals in your corner such as your agent, your lender, and your home inspector, there are other organizations that can support you through the process as well.

When you begin to explore the possibility of buying a home, consider working with non-profit organizations like Prosperity Connection, Justine Petersen, or LifeWise StL to ensure you're financially prepared. They will help you to review your credit reports, income, and budget so that you can seek your mortgage pre-approval with confidence.

Go South Side! partner St. Joseph Housing Initiative offers their Homeowner Readiness Academy that includes not only financial education, but also guides you through the homebuying process in greater detail and coaches you on ongoing homeownership skills like maintaining your home and connecting with your neighbors.

And if you choose to buy (or rent) on the South Side, know that you have a supportive community of neighbors who want to see you succeed! Connecting with your neighbors, formally or informally, adds value to your home and yourself. Neighbors who look out for each other contribute to safer streets, stronger families, and resilient neighborhoods. Whether it's chatting with your neighbors on the sidewalk or volunteering with neighborhood organizations like Dutchtown Main Streets and Dutchtown South Community Corporation, building connections with your community will make your new house feel like your forever home.



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WHAT TO LOOK FOR WHEN PICKING A REALTOR

Who Is a Realtor?

A Realtor is a licensed real estate agent registered with the National Association of Realtors (NAR). Registered Realtors are bound to a code of ethics that requires them to work in the best interest of their client.

Your Realtor is your guide through the homebuying process. Your Realtor will help you find homes listed for sale that meet your criteria (price, neighborhood, number of bedrooms, etc.) and take you to the properties for viewing. With their experience, they can point out positives and negatives about listings that may not be obvious to you.

Once you find a home that you're prepared to make an offer on, your Realtor will handle the process. Your Realtor—the "buyer's agent"—will send an offer to the seller or seller's agent and will serve as your liaison as you negotiate the final selling price and the terms of the sales contract. Your Realtor can advocate for concessions or contingencies from the seller, such as asking the seller to cover your closing costs or guaranteeing that certain repairs be made prior to the sale. This process involves a lot of back-and-forth between the buyer's agent, the seller's agent, and other parties—and a lot of paperwork! Your Realtor will manage all the details for you and explain the steps as you proceed through the transaction.

How Do I Choose a Realtor?

There are many factors that come into play when choosing a Realtor, but the key to a good relationship is trust. A good starting point when selecting a Realtor is to simply ask around. Ask your friends, family members, and neighbors who they have worked with and what their experiences were like.

Some Realtors specialize in certain locations or neighborhoods. If you're shopping on the South Side, for example, it's good to know that your Realtor is familiar with the area. They may have a better understanding of historic city homes versus new suburban construction and they can help guide you towards listings that are in closer proximity to parks, schools, and other amenities.



Additionally, some Realtors have additional experience working with first-time homebuyers. Your first home purchase can seem like a daunting task, but with the right Realtor, you can trust that you're in good hands with an advocate that will patiently help you navigate the homebuying process.

There are some basic questions to ask when selecting a Realtor:

- How long have you been in the real estate industry?
- How familiar are you with the area?
- How flexible is your schedule?
- What is your experience working with first-time homebuyers?
- What sets you apart from other Realtors?
- How do you prefer to communicate through the homebuying process?

How Does a Realtor Make Money?

Realtors work on commission. When the deal is done, they will get a certain percentage of the sale price. The sale contract will explain how that commission is to be paid, but it is generally wrapped into the sale—not a fee that the buyer has to pay separately.

Many first time buyers wonder why they have to pay for someone to show them a house that anyone can see on Zillow. While it is possible to purchase a home without an agent, the process is very complex and requires navigating a maze of legal requirements and regulations that very few people have the ability, experience, or patience for. Having an advocate and expert in your corner, especially if you're new to the homebuying process, is essential to your peace of mind and to the successful outcome of your purchase.

