

# Home Ownership Made Simple

Home Ownership Made Simple was developed to assist First Time Homebuyers.

As a first time homebuyer there are many things you should know before you purchase your first home. This is one of the largest investments you will ever make; it is also one of the best ways to invest in your future.

This booklet goes over the process of buying your first home. The information should help save you money and help you make an informed decision - a decision that is in your best interest and that is right for you. Each section begins on a new page so that you may print out, punch and place each section in a loose-leaf notebook for ongoing reference.

With interest rates still fairly low, it is a great time to purchase a home. Homes have been appreciating lately at a record pace. So the longer you wait the more it could cost you.

The United States federal government and many State governments have done several things to help make it easier than ever to purchase a home here.

There are many different types of loans available to the first time buyers as well as other buyers. You need a professional to help you evaluate the best programs to meet you goals and desires, *especially First Time Homebuyers.*

Many builders offer special financing, lenders offer different programs, grant programs are available to help with the down payment; gift programs can help with down payment and closing costs. Remember, no lender wants to tell you about or help you evaluate other lenders' options. They will only tell you about what they offer.

This booklet will guide you in taking the simple steps to home ownership. It is simple, but please have a Realtor<sup>®</sup> that understands first time homebuyer programs help you.

I have extensive relocation and home buying background and knowledge of first time homebuyer programs. I know how to help you evaluate your options. I understand their advantages and disadvantages.

***Let me help you or put you in touch with a Real Estate agent in your area that will have the knowledge and commitment to making a client for life.***

*Sincerely*

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# Getting Ready for Home Ownership

Buying a home is much more than a sound financial investment. For most of us, it's a chance to own a piece of the American dream...to put down roots and to make memories. However, home ownership is not for everyone. Before buying a home, you should carefully consider whether home ownership is right for you. Some questions you'll want to answer before you decide to buy are:

- What are the benefits of owning a home?
- Do I have enough for a down payment?
- Can I afford the monthly payment?
- Can I qualify for the mortgage I need?
- How do I begin shopping for a home?

If you're unsure of the answers, don't worry. We know that buying a home and applying for a mortgage loan can be confusing and stressful, especially if it's your first home. That's why we created this downloadable booklet --- to help you get ready for home ownership. It answers frequently asked questions by first-time homebuyers, and outlines the steps involved in buying a home --- from application through closing. Because like most things in life, buying a home is easier if you're prepared.

# Why Buy a Home?

For many, owning a home is the long-awaited realization of a dream. For others, it's an investment that provides tax benefits and builds wealth. Whatever your reasons, home ownership has many rewards:

**Income tax reduction.** In the early years of a mortgage, most of your monthly payment goes toward interest on the loan. In most cases, the mortgage interest (and property tax) is deductible from your taxable income. And that means a lower tax bill. Often, your “after tax” cost of owning a home can be lower than renting. Consult your tax advisor for details.

**Wealth building possibilities.** When you rent, you give your hard-earned money away to someone else. But, when you buy, your money is invested. As you pay down your home loan balance, you gradually build “equity” in your home. Equity is the difference between the market value of your home and the outstanding mortgage balance. It's a strong financial asset that belongs to you and can grow over time.

**Tax-deductible borrowing power.** As your home equity increases, you can borrow against it. A home equity loan or “line of credit” can be used for making home improvements, paying for college, buying a new car or almost any need. Because the loan is backed by the equity in your home, you may be able to deduct that interest from your taxable income and lower your tax bill. Consult your tax advisor for details.

# Why Throw Your Money Away?

## Still paying rent?

Through the years, your rent payments add up fast.

Monthly rent	3 years	10 years	15 years	30 years
\$400	\$14,400	\$48,000	\$72,000	\$144,000
\$500	\$18,000	\$60,000	\$90,000	\$180,000
\$600	\$21,600	\$72,000	\$108,000	\$216,000
\$700	\$25,200	\$84,000	\$126,000	\$252,000
\$800	\$28,800	\$96,000	\$144,000	\$288,000
\$900	\$32,400	\$108,000	\$162,000	\$324,000
\$1000	\$36,000	\$120,000	\$180,000	\$360,000
\$1,200	\$43,200	\$144,000	\$216,000	\$432,000
\$1,500	\$54,000	\$180,000	\$270,000	\$540,000
\$1700	\$61,200	\$204,000	\$306,000	\$612,000

### **Make this the year you turn your dream of owning a home into a reality.**

Why rent, when you may be able to buy your own home for only a bit more than you're paying each month in rent? Check the chart above. See how much money you could be directing toward a growing investment, which you can use to turn even more dreams into a reality in the future.

Begin to enjoy the personal and practical benefits of being a homeowner. Get more information on the affordable loan programs that enable renters to become homeowners. We can help you choose a home-financing program that fits your individual needs and budget.

Call Carolin Gibson today to get more information on home loans - 515-453-5949  
Becoming a homeowner may be easier than you think!

# Buy with ZERO Down

## Little known secrets to help you buy a home now

Buying a home has never been easier. You may be able to buy with zero down.

There are several programs available today where you can buy a home with no down payment.

So, don't wait until you have a down payment saved. Waiting can cost you. Homes can and do appreciate and interest rates can and do change. Right now the interest rates are still among the lowest we have ever seen for buying a home.

### **Financing: (Buying with Zero Down)**

#### **100% loans**

**NOTE: The recent "sub prime" lending disruption may make it difficult to secure zero down programs from many lenders. However, many lenders are still offering programs that require as little as 3% down. Make sure you are working with a reputable lender.**

Many lenders offer 100% financing. You as the buyer need to find out which options and lenders are the best for you.

Some lenders do two loans to get you the 100%. The first loan is typically 80% of the purchase price and typically at the market interest rate. The second part of this loan is for 20% of the purchase price and typically at a slightly higher interest rate. Some of these types of loans have no PMI (personal mortgage insurance), so the monthly payment is in some cases very close to what you would pay if you put a 5% down payment on the home. Some of these programs charge the PMI, or MPI so you must find which programs are the best for you as the buyer.

Some lenders have a full 100% loan; in these, typically, the lender does charge for the MPI or PMI insurance. So, you must evaluate which programs are the best for you.

We have a local lender doing a 100% program for Doctors. Some cities and states may have programs like this. We have seen them also for teachers.

#### **A New Down payment gift program**

There are several versions of this out. How it works in many cases is the buyers get a gift for up to 3% of the purchase price, from in many cases a non-profit gift program. This 3% gift can be used with a 97% FHA loan. This gift program does not come from the lender; however, many lenders may have information on such programs.

Programs can vary from city to city or state to state. An internet search is a good start on identifying some possibilities.

***In summary*** the best thing for a buyer to do is to get in contact with a ***Realtor***<sup>®</sup> that knows about first time home buying and zero down programs. The Realtor<sup>®</sup> is the one that can help you evaluate which options are best for you. Some lenders (mortgage companies) have high closing cost and some can and do charge an early payment penalty and some have great programs like these. Don't make mistakes that can cost you thousands.

Keep in Mind you do not pay the real estate fees as the buyer to use a Realtor<sup>®</sup> - the seller does. So contacting a ***Quality Professional Realtor***<sup>®</sup> is to your advantage.

You don't have to be a first time buyer to use these programs, but if you are it adds to your options for selecting what is best for you.

Buying with ZERO Down is a great option that can help you purchase a home.

We can help you in our service area, or we can connect you with a qualified agent in your area so that you get the best representation, financing and home for you.

# Steps to Buying a Home

The steps to buying a home are basically the same for everyone. Following these steps and completing the four worksheets can help you take charge of your home buying experience.

**Find a real estate agent.** Finding the perfect home takes time. A real estate agent can make your search easier and faster. Find a Realtor<sup>®</sup> that can help with evaluating financing options for first time homebuyers.

**Decide how much home you can afford before you shop.** Before you begin hunting, you should have an idea of how much you can afford to spend on a home. Your Realtor<sup>®</sup> will help you arrive at a price range that fits your budget.

**Prepare a budget.** Once you've decided how much you can spend, you should develop a working budget to make sure you can afford the monthly mortgage payment.

**Decide what kind of home you want or need.** Start thinking about what features are most important to you.

**Get your loan pre-approved.** A pre-approved mortgage helps you shop with confidence by knowing how much home you can afford. Your mortgage professional can review your finances and credit with you and estimate your pre-approved loan amount.

**Inspect the home.** When you find a home you like that's within your budget, give it a thorough inspection. A professional inspection of the home is recommended to give you a better idea of any potential problems.

**Make an offer.** When you find a home you'd like to buy that's within your price range, make an offer and enter into a contract to purchase the home. Make sure your offer allows you to get your money back if a professional inspection reveals problems with the house, or if you are unable to get financing. Your real estate agent can be extremely helpful in guiding you through this process.

**Decide on type and rate of your mortgage loan.** There are many types of loans and repayment options. Your mortgage professional can help you select the loan that suits your financial needs and preferences.

**Closing the loan.** Closing a loan (also called settlement) is when you make your down payment, pay closing costs (which include fees charged for processing the loan), transfer property ownership from the seller to you, and sign all the necessary legal documents.

# How to Qualify for a Mortgage Loan

## **What is a mortgage loan?**

A mortgage loan is a loan used to buy a home. The home is the collateral for the loan and acts as a guarantee that the loan will be repaid.

## **How mortgage loans are approved.**

There are several factors involved in the approval process of your mortgage application. These include your income, your current debt, your credit history, your employment history and the property itself. Your mortgage professional understands each applicant's specific situation is different and all these factors need to be evaluated during the approval process.

**Income.** The first question is how much of your total income will be spent on housing. The mortgage lender uses this information to decide whether your new home will stretch your budget too much. When you are qualifying for a loan, lenders usually use your gross income (all the money you earn before taxes) to determine the monthly mortgage payment you can afford. Gross income may also include the average of overtime pay and commissions, and child support or alimony, if you wish to have them considered. Use the *How much home can you afford* worksheet in this PDF file to help you determine how much home you can afford.

**Monthly mortgage payment as a percentage of your income.** In general, lenders require that your total monthly mortgage payment --- principal, interest, property taxes, and mortgage insurance, dues --- should be no more than 28% to 33% of your monthly gross income. Sometimes you may have to stretch that percentage to get into a home. That's why your mortgage lender has flexible loan choices, such as government loans and adjustable rate mortgages that can help you qualify when you need to put a larger percentage of your income toward your mortgage payment.

**Your total debt situation.** Your mortgage payment is just one part of your total monthly expenses. You may have a car loan, student loan, credit cards, child support, alimony or other monthly expenses. In general, lenders require that the total of all your monthly expenses (excluding basics like utilities and groceries) not exceed 38% of your gross monthly income. Your mortgage lender will help you review your debts and see if you qualify for alternative financing options if your debt exceeds this amount. Use the *Budget planning for home ownership* worksheet in this booklet to prepare a bill-paying schedule you can live with.

**Credit history.** A satisfactory record of paying your bills on time is an important part of getting a home loan. But many people experience hardships now and again that are beyond their control. If you've had credit difficulties within the past two years, a good explanation of any late or missing payments on your credit report will be taken into consideration.

**Employment history.** A history of steady employment and/or earnings, no matter what your profession, is desirable. Lenders usually prefer to lend money to people whose incomes have grown steadily over the past several years and who have worked consistently in the same or related occupations. You will need to verify employment. If you are self-employed, work on commission or have been at your job less than two years, you may need to provide additional information about your work history.

**Property appraisal.** Before a mortgage loan is approved, the appraised value of the home must be determined. An appraisal is based on the home's condition and selling prices of comparable properties in the area and confirms that the property is worth the purchase price you are offering for the home.

# Reviewing your Credit History

## **What is credit?**

Credit involves the borrowing of funds with the intent to repay the lender at a later date, such as credit cards, a car loan, a student loan, etc. Having good credit lets the lender know you are responsible and can be trusted to repay the money you are about to borrow.

**Credit report.** As part of the application process, the lender will request a credit report from the credit bureau. The credit bureau collects and organizes information about people who have credit. The information generally goes back 7 – 10 years. This report includes your name, address, employer, length of employment and previous credit history. Credit history includes account types, balances remaining, payment status, collection information and inquiries.

**Lack of credit history.** Most traditional mortgage loans generally require some kind of established credit history. Most mortgage lenders offer flexible home loan options for people with limited or no established credit history. These options look at other ways to establish credit worthiness, such as timely payments of rent and utility bills.

# How to Shop for a Home

**Find a good real estate agent.** A good real estate agent that understands first time home buyer programs can help make finding the right home easier and faster. An agent will show you homes that fit your needs, tell you about the neighborhoods and schools, present your offer to the seller, and advise you on home inspectors, title companies, mortgage lenders and real estate attorneys. It's best to choose an agent that knows how to evaluate first time homebuyer programs.

**Determine what features are important to you.** Think about where you would like to live, what size home you need and if you want a "fixer upper" or a brand new home. Use the *Features of your dream home* checklist to help you identify which features are most important to you.

**Location.** The location of your home is also important. Pay attention to every detail as you visit homes and neighborhoods. Are you comfortable with the neighborhood, the schools, and the lifestyle? Has the house been well maintained with no hidden problems (such as flooding basements or termites)? In addition to making your own observations about the neighborhood, ask your real estate agent to give you a list of the comparative value of homes in the neighborhood to make sure the seller is asking a fair price. Make copies of the *Home inspection* checklist and bring one to every house you visit to record the condition of the property.

**Loan pre-approval.** Before you begin house hunting, it is a good idea to get pre-approved for a loan. By knowing your pre-approved loan amount, you can focus on shopping for a home in the price range you can afford. It also improves your negotiating power with the seller. Once you select a home, final mortgage loan approval and closing can be completed more quickly since your financing has already been arranged. Your mortgage lender will help you review your finances and credit to estimate the maximum loan amount you can expect to obtain.

**Making the offer.** Once you find a home you like and want to make an offer, your real estate agent will help you prepare an "offer to purchase" or a "purchase and sales agreement". These documents describe the property and its location, and spell out the price and down payment. They also may include financing details, such as whether you will need a mortgage and the desired closing date. Even if your loan is pre-approved, be sure to make the contract subject to getting the financing you need. In addition, your offer should clearly state what comes with the home (for example, appliances, window or lighting treatments) and items the seller will remove.

**Arranging for inspections.** Often there are certain inspections that you may want to complete as part of your purchase agreement. Hire an inspector who is a structural expert and knows how to evaluate hidden structural defects or high-cost maintenance items, such as electrical, plumbing, heating, air conditioning, hot water heater and appliances. Your real estate agent should be able to provide you with a few recommendations.

**Putting up “earnest money.”** Before your offer is presented to the seller, you may need to make an “earnest money” deposit. This shows that you are serious about the offer and is usually credited back to your purchase price or closing costs at settlement. The specific amount may be a percentage of the sales price or a flat amount, as negotiated. Generally the check is made payable to the real estate company representing the seller. The check doesn’t always need to be a large amount; sometimes \$100 is sufficient as earnest money.

**Arranging financing.** It is important to arrange your financing as soon as possible. If you have not already done so, get your loan pre-approved before you buy. There are many mortgage loans and programs available to you. Your professional Realtor<sup>®</sup> that knows first time homebuyer programs and options can help you select the loan best suited to your financial situation and lifestyle.

**Closing the deal.** After your offer has been accepted, the inspections have been completed and your financing is arranged, it’s finally time to close. While home buying settlement practices vary around the country, the “closing” is when all the final papers are signed, money changes hands and the title to the property is turned over to you. A good real estate attorney will be a valuable resource to explain all the documents and look out for your best interests. Once the paperwork is completed, celebrate! You now have a home you can call your own.



# Finding the Perfect Neighborhood

Need a little help zeroing in on the perfect neighborhood? Consider these strategies for success:

- Do your homework. The Internet is a great place to start. Visit Chamber of Commerce or Visitor's Bureau websites to check out school reports, crime statistics and population information.
- Decide which characteristics are most important to you in a neighborhood. Do you want top-level schools? A small, quiet neighborhood? A Street with lots of kids?
- Visit neighborhoods at various times of day. A quiet, peaceful street may really "come alive" when school lets out.
- Drive around enough to know what's close by. You don't want any unpleasant surprises, such as railroad tracks a few blocks away, or a noisy industry at the end of the street.
- Visit the places that will be part of your weekly routine: schools, grocery stores, and banks. You'll want to have an idea of what they're like, and how far away they are.
- Talk to some of the neighbors. This is one of the best ways to get a feel for what a neighborhood is really like. Don't be afraid to ask questions. If people enjoy their neighborhood, they're generally happy to talk about it.

The location of your new home is important – not only in terms of resale value, but for your family's comfort and enjoyment. So take some time to find a neighborhood that meets your needs and feels like a good "fit".

# Home Inspections: A Good Idea

You've found the home of your dreams. It's sparkling clean, it's tastefully decorated and it's in a great neighborhood. You may be tempted to waive your right to a home inspection, but before you do, read a little further. Home inspections are generally a good idea, even if a home makes a terrific first impression.

According to the 2000 HouseMaster Resale Home Deficiencies Study, two in five resale houses have at least one major defect that could cost you anywhere from a few hundred dollars to as much as \$15,000 to repair. A home inspection is a simple, inexpensive step that could save you lots of time, trouble and money.

For \$250 to \$500, depending on your home's size and location, you can hire a professional home inspector to scrutinize your home from top to bottom. Typically, an inspection includes the heating and cooling systems, major appliances, windows, roof, foundation, ceilings, floors and electrical and plumbing systems.

A thorough inspection will leave you with a detailed list of items, which might need replacing, as well as suggestions on improvements, or repairs, which might prevent future problems. It allows you to negotiate a better price if deficiencies are found, and it gives you the inside scoop on a home before you commit to the purchase. The bottom line is, it's just a good idea!

# The Reality of “For Sale by Owner”

We’ve all heard stories about lucky homeowners placing a “for sale” sign in the yard, opening their front door on a Sunday afternoon and receiving a full-price offer at the end of the day.

If you’re thinking of selling your home, you might be tempted by these successful “For Sale by Owner” (FSBO) stories. After all, why pay commission to a Realtor® when you could keep the profits all to yourself? But the reality of FSBO listings is far less rosy than you might think. Instead of big profits, you might end up with big headaches. Consider these possible drawbacks:

- Advertising works best when it’s run frequently over a period of time. A Realtor® is able to take advantage of print media, electronic media, and the Multiple Listing Service, which is only available to a licensed Realtor® and broker.
- Most homeowners believe their house is worth more than it really is. If it’s not competitively priced, many prospects will simply bypass your home.
- Most of us grow accustomed to our home’s imperfections over time. A Realtor® can suggest minor improvements, like fresh paint, new vinyl flooring or furniture arrangements that could help your home sell faster and for more money.
- A Realtor® will qualify prospects before showing them a home. A FSBO seller is at the mercy of everyone who calls or knocks on the door. You may spend valuable time giving tours to curiosity seekers or prospects that can’t afford your house.
- Prospects often shy away from FSBO homes, fearing legal problems because of the intricate paperwork involved.

Many FSBO stories, unfortunately, don’t have a happy ending. After a considerable outlay of time and money, sellers often list with an agent in order to get their house sold. Unless you have a sure buyer – a cousin or coworker, for instance – consider listing your house with a professional Realtor®. You’ll save lots of time and trouble!

If you see a FSBO that you want more information on or want to get in to see, call your Realtor®, they can help you compare homes, get you a market analysis of the home to see if it’s priced properly and represent your best interest when writing an offer to the seller. Yes you can use your Realtor® to represent you with FSBO homes.

# Home Buyer Checklist

Take this checklist along when you go shopping for your new home. It will help you to evaluate the neighborhoods and assess the cost, location and condition of up to three homes in a side-by-side comparison.

## Home Buyer Checklist

1

2

3

Property Address	_____	_____	_____
Asking Price	\$ _____	\$ _____	\$ _____
Real Estate Taxes	\$ _____	\$ _____	\$ _____
Acreage	_____	_____	_____
Age of House	_____	_____	_____
Number of Stories	_____	_____	_____
Estimated Water Bill	\$ _____	\$ _____	\$ _____
Estimated Electric Bill	\$ _____	\$ _____	\$ _____
Estimated Heating Bill	\$ _____	\$ _____	\$ _____

## The Location

Near Work	_____	_____	_____
Near Schools	_____	_____	_____
Near Shopping	_____	_____	_____
Near Expressways	_____	_____	_____
Near Doctors/Dentists	_____	_____	_____
Near Churches	_____	_____	_____
Near Trains/Airport	_____	_____	_____
Near Industry	_____	_____	_____

## The Neighborhood

Sidewalks	_____	_____	_____
Street Lights	_____	_____	_____
Streets Maintained	_____	_____	_____
Low Traffic Volume	_____	_____	_____
Garbage Collection	_____	_____	_____
Parks	_____	_____	_____
Restrictions	_____	_____	_____
Area Zoned Residential	_____	_____	_____
Environment Concerns	_____	_____	_____

# Home Buyer Checklist

1

2

3

## The House Exterior

Type of Siding	_____	_____	_____
Roof Condition	_____	_____	_____
Foundation Condition	_____	_____	_____
Overall Exterior Condition	_____	_____	_____
Garage	_____	_____	_____
Patio	_____	_____	_____
Backyard Fenced	_____	_____	_____
Landscaping	_____	_____	_____
Security (dead bolts, detectors)	_____	_____	_____
Broken Windows	_____	_____	_____
Storm Windows/Screens	_____	_____	_____
Room to Expand the House	_____	_____	_____
Building Code Compliance	_____	_____	_____

## The House Interior

Number of Bedrooms	_____	_____	_____
Number of Bathrooms	_____	_____	_____
Separate Dining Room?	_____	_____	_____
Family Room or Den?	_____	_____	_____
Kitchen Eating Area?	_____	_____	_____
Number of Closets?	_____	_____	_____
Finished Basement?	_____	_____	_____
Attic?	_____	_____	_____
Laundry Space?	_____	_____	_____
Washer/Dryer Outlets?	_____	_____	_____
Carpeting – No. of Rooms?	_____	_____	_____
Refrigerator?	_____	_____	_____
Stove/Oven? Gas/Electric?	_____	_____	_____
Garbage Disposal?	_____	_____	_____
Dishwasher?	_____	_____	_____
Fireplace?	_____	_____	_____
Type of Heat?	_____	_____	_____
Age of Heating System?	_____	_____	_____
Age of Water Heater?	_____	_____	_____
Capacity of Water Heater?	_____	_____	_____
Insulation Type or Rating?	_____	_____	_____
Central Air Conditioning?	_____	_____	_____
Electrical Condition	_____	_____	_____
Plumbing Condition	_____	_____	_____
Energy Conservation Features?	_____	_____	_____
Connected to Sewer System?	_____	_____	_____

# Buying a New Home

Now that you know the steps to shopping for a home, here are details on the actual purchasing process. Once your offer to buy the home is accepted by the seller, you need to arrange for financing, make a down payment and pay closing costs and insurance.

**Down payment.** When you borrow money for a home, you may be required to contribute some of your own money toward the purchase of the home. This money is called your down payment. The amount you need varies depending on the type of mortgage you choose, the purchase price of the home and your financial situation. As a general rule, conventional mortgage loans require a larger down payment than government mortgages (usually 5 - 20%). Your Realtor® can help you find mortgage loans and programs to fit a variety of budgets, including affordable financing options available to buyers that require little or no down payment. These options are based on income and property location.

**Closing costs.** In addition to your down payment, you will need to pay closing costs for processing your loan and transferring the property ownership from the seller to you, the buyer. Closing costs can range from 3% - 5% of your loan amount, depending on where you live, the loan you choose and your closing date. In some cases, you can finance certain closing costs in your mortgage loan. When you apply for a loan, your lender will give you an estimate of closing costs, which usually include:

- Origination fees.
- Costs of processing your loan (includes property survey and appraisal).
- Items paid in advance, such as first-year mortgage insurance premium, first-year hazard insurance premium and first-year flood or earthquake insurance premiums, if required.
- Escrow accounts – an account held by the lender into which the home buyer usually pays for city/county property taxes, mortgage insurance, hazard insurance and flood or earthquake insurance, if required.
- Title insurance charges.
- Recording and transfer charges.
- Attorney's fees.

**Mortgage payment.** When you make a mortgage payment, most of your payment goes toward the principal and interest of your loan. The principal is the remaining balance of your loan, and the interest is the cost of borrowing the money. Typically, all or most of your interest payments are tax deductible – consult your tax advisor. In addition, a portion of your mortgage payment is usually set-aside in an escrow account to pay property taxes, mortgage insurance and hazard insurance.

**Mortgage insurance.** If your down payment is less than 20% of the home purchase price, you can expect to pay some form of mortgage insurance. Home loans that are insured let you buy a home with a lower down payment than the lender would otherwise require. Mortgage insurance costs vary, depending on the amount of your down payment and the type of loan you select. Two government agencies – the Federal Housing Administration (FHA) and the Veterans Administration (VA) – provide insurance for certain kinds of mortgage loans. Mortgage insurance is also available from private companies. Your mortgage lender can explain your options.

# Quick Tips on Building

Having a home built is an exciting, rewarding and creative process. It can also be a frustrating, time-consuming and exasperating process! The following tips will help ease the aggravation and keep things running smoothly:

- Select your floor plan carefully. Make sure it has the space, the flow and the layout you're looking for.
- Make any necessary plan changes before the building process begins. It's easy to move walls on paper. It's a little more complicated once they've already been built.
- Choose a contractor you feel comfortable with. Take the time to check his references!
- Keep the lines of communication open. Your contractor is not a mind reader. If you have questions or concerns, by all means say something.
- Remember, your contractor is on your side. If you have questions or concerns, be direct but tactful.
- Make sure you understand exactly what's included in your contract and what's extra. When you're building a home, "surprises" are not necessarily a good thing.
- Maintain a good attitude. A little patience, humor and flexibility goes a long way!
- Have your Realtor<sup>®</sup> help you evaluate any special financing the builder or their preferred lender offers. Sometimes you are forced to use the builder's lender and it may or may not be in your best interest to use that lender or the programs the builder offers.

# Worksheets

Start smart and use the worksheets to prepare yourself for buying a home and to help you make the best decisions. Should you need any guidance, your real estate agent will be happy to assist you. So grab a pencil, because buying a home begins at your kitchen table.

## Step 1

### **How much home can you afford?**

Calculate how much home you may be able to afford. The completed estimate will help you get your loan application pre-approved more quickly.

## Step 2

### **Budget planning for home ownership**

Plan a monthly budget for your mortgage payment and the rest of your bills. A budget will ease the transition of becoming a homeowner and help you control your finances, so you don't end up taking on too much debt. This exercise will help minimize any impact the purchase of your new home will have on your current lifestyle.

## Step 3

### **Features of your dream home**

List the features most important to you in a home. It's a great exercise to do with the family to fine-tune your wants and needs. Be sure to take this checklist with you when you go shopping for a home to remind you what to look for.

## Step 4

### **Home inspection checklist**

Make copies of this checklist and take it with you when you begin house hunting to record the condition of each home you visit. This checklist could save you from buying a home that needs costly repairs or could cost you too much in utilities. Looking for items such as roof condition, whether or not the home is well-insulated, plumbing, heating or electrical problems, can save you a lot of heartache... and money.

# Step 1

## How much home can you afford?

Use this worksheet to calculate how much you can afford to spend on a home before you begin shopping. You can also ask your real estate agent or mortgage lender about getting a pre-approved loan. It can help you shop with confidence and boost your bargaining power with sellers.

Payment factor table (30-year fixed-rate loan)	
Interest rate	Factor
6.00%	6.00
6.25%	6.16
6.50%	6.32
6.75%	6.49
7.00%	6.65
7.25%	6.82
7.50%	6.99
7.75%	7.16
8.00%	7.34
8.25%	7.51
8.50%	7.69
8.75%	7.87
9.00%	8.05
9.25%	8.23
9.50%	8.41
9.75%	8.59
10.00%	8.78
10.25%	8.96
10.50%	9.15
10.75%	9.33
11.00%	9.52
11.25%	9.71
11.50%	9.90
11.75%	10.09
12.00%	10.29
12.25%	10.48
12.50%	10.67
12.75%	10.87
13.00%	11.06
13.25%	11.26

Gross income (before taxes) each year .....= \$ \_\_\_\_\_ (A)  
(for self and any co-borrowers)

Enter your gross monthly income.....(A ÷ 12) = \$ \_\_\_\_\_ (B)

Calculate maximum mortgage payment<sup>1</sup> .....(B × 0.33) = \$ \_\_\_\_\_ (C)

Calculate maximum debt payment<sup>1</sup> .....(B × 0.38) = \$ \_\_\_\_\_ (D)

Enter total monthly debt payment..... \$ \_\_\_\_\_ (E)  
(credit cards, car payment, child support, alimony, etc.)

Calculate monthly mortgage payment<sup>2</sup> .....(D – E) = \$ \_\_\_\_\_ (F)

Your maximum monthly mortgage payment..... \$ \_\_\_\_\_ (G)  
(enter the lower of C or F)

Monthly estimate of taxes, homeowners  
Insurance and mortgage insurance<sup>3</sup> .....(A × 0.0053) = \$ \_\_\_\_\_ (H)

Monthly estimate of homeowner association dues.....\$ \_\_\_\_\_ (I)  
(condominiums and town homes only)<sup>4</sup>

Calculate your estimated maximum  
Mortgage payment<sup>2</sup> .....(G – H – I) = \$ \_\_\_\_\_ (J)

Calculate your estimated maximum loan amount:  
$$\frac{\text{_____}}{\text{(enter J)}} \div \frac{\text{_____}}{\text{(payment factor)}^5} \times 1,000 = \$ \text{_____} \text{ (K)}$$

Enter total cash available for home purchase .....\$ \_\_\_\_\_ (L)

Calculate closing costs<sup>6</sup> .....(K × 0.05) = \$ \_\_\_\_\_ (M)

Calculate cash available for down payment.....(L – M) = \$ \_\_\_\_\_ (N)

Calculate your maximum home purchase price.....(K + N) = \$ \_\_\_\_\_ (O)

<sup>1</sup> These percentages are used as industry standards. Percentages may vary according to type of mortgage chosen. Ask your mortgage lender for details.

<sup>2</sup> Monthly mortgage payment includes principal, interest, taxes, mortgage and hazard insurance.

<sup>3</sup> Assumes a 5% down payment

<sup>4</sup> In some cases, homeowner association dues may also be applicable on single-family homes. Ask your real estate agent for details.

<sup>5</sup> Use the *Payment factor table* above to find the interest rate you expect to pay on a 30-year fixed-rate loan. Enter the factor next to this interest rate

<sup>6</sup> Closing costs can vary; we suggest using 5% for estimates in major metropolitan areas; other areas can use 3%.

# Step 2

## Budget planning for home ownership

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Complete this worksheet to see how mortgage payments and home expenses fit into your budget. Then when you move into your new home, you will have prepared a monthly bill-paying schedule to help you manage your finances.

### Housing expenses

Mortgage payment.....Principal, interest, taxes, mortgage and hazard insurance.....	\$ _____
Electric bill.....	\$ _____
Heating bill.....	\$ _____
Gas, water, sewer.....If paid separately.....	\$ _____
Condo/association fee.....If applicable.....	\$ _____

### Non-housing expenses

Food.....Groceries, school/work lunches.....	\$ _____
Car loan.....	\$ _____
Car insurance.....Monthly amount set aside for bill.....	\$ _____
Fuel and maintenance.....	\$ _____
Car repairs.....Monthly amount saved for future repairs.....	\$ _____
Other transportation.....Fares, parking.....	\$ _____
Clothing.....New clothes, dry cleaning, laundry, tailor.....	\$ _____
Child care.....Day care, tuition, baby-sitters.....	\$ _____
Health care.....Insurance premiums and non-covered expenses.....	\$ _____
Debt payments.....Credit cards, student and other loans, time payments.....	\$ _____
Telephone.....	\$ _____
Insurance.....Other than car and health (life, disability, etc.).....	\$ _____
Child support.....	\$ _____
Alimony.....	\$ _____

### Discretionary expenses

Entertainment.....Cable TV, restaurants, movies.....	\$ _____
Hobby and sport.....Equipment, tickets, memberships.....	\$ _____
Vacation.....Amount saved each month for future vacations.....	\$ _____
Lawn care/snow removal.....	\$ _____
Gifts.....	\$ _____
Savings.....Amount set aside each month for savings.....	\$ _____
Donations and dues.....Charity, unions, contributions.....	\$ _____
Other expenses.....	\$ _____
Other expenses.....	\$ _____

<b>Total:</b>	\$ _____
<b>Monthly income after taxes:</b>	\$ _____
<b>Amount over/under budget:</b>	\$ _____

# Step 3

## Features of your dream home

Set your dream home priorities before you shop. Involve the whole family in completing this worksheet, to create a wish list of features to help identify your wants and needs.

	<i>Essential</i>	<i>Preferred</i>	<i>Don't want</i>		<i>Essential</i>	<i>Preferred</i>	<i>Don't want</i>
<b>Age</b>							
Existing home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Privacy from neighbors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Custom-built home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Garage (one or two car)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Historic/vintage home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Screen porch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				Deck/patio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Condition</b>				Pool	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
“Move-in”	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Master bedroom	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
“Handyman special”	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Guest bedroom	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				Addl. Bedrooms # _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Type of home</b>				Master bathroom	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Two-story	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Second bathroom	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ranch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Half-bath	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Split-level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Living room	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Traditional	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Formal dining room	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contemporary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Eat-in kitchen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Historical	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Family room/den	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cape Cod	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Home office	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Townhouse/condo/co-op	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Laundry room	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				Mudroom	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Construction</b>				Basement			
Brick	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Full	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Vinyl siding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Partial	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stucco	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Finished	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Shingles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Dishwasher	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Garbage disposal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				Pantry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	<i>Essential</i>	<i>Preferred</i>	<i>Don't want</i>		<i>Essential</i>	<i>Preferred</i>	<i>Don't want</i>
<b>Environment</b>				Skylights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Town(s) of preference:				Walk-in closets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ceiling fans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
School district	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wall-to-wall carpeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Access to transportation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Hardwood floors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Proximity to shopping	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tile floors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Community services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Attic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Recreation center	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Central air conditioning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				Hot tub	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Specifics</b>				Burglar alarm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Large front yard	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Other _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Large back yard	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Min-upkeep landscaping	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# Step 4

## Home inspection checklist

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Make copies of this checklist, and take one to every house you visit. Your real estate agent can help you estimate utility bills and property taxes and provide information about neighborhoods and schools.

Property address: \_\_\_\_\_

Realtor/Builder: \_\_\_\_\_

Asking price: \_\_\_\_\_

Taxes: \_\_\_\_\_

Utility bills: \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Feature	Comments
---------	----------

**Condition**

Excellent \_\_\_\_\_  
 Good \_\_\_\_\_  
 Fair \_\_\_\_\_  
 Poor \_\_\_\_\_

**Exterior details**

Style of home \_\_\_\_\_  
 Structural condition \_\_\_\_\_  
 Lot size and landscaping \_\_\_\_\_  
 Porch and/or deck \_\_\_\_\_  
 Garage/carport/shed \_\_\_\_\_  
 Pool \_\_\_\_\_  
 Exterior finish (siding, paint, shingles) \_\_\_\_\_  
 Condo/townhouse common areas \_\_\_\_\_  
 \_\_\_\_\_

**Interior features**

Total number of rooms \_\_\_\_\_  
 Foyer/hall \_\_\_\_\_  
 Kitchen \_\_\_\_\_  
 Living room \_\_\_\_\_  
 Family room \_\_\_\_\_  
 Formal dining room \_\_\_\_\_  
 Home office \_\_\_\_\_  
 Master bedroom \_\_\_\_\_  
 Number of additional bedrooms \_\_\_\_\_  
 Number of baths \_\_\_\_\_  
 Laundry/mud room \_\_\_\_\_  
 Closet space \_\_\_\_\_

Feature	Comments
---------	----------

**Systems**

Heat type \_\_\_\_\_  
 Condition/age of furnace \_\_\_\_\_  
 Plumbing \_\_\_\_\_  
 Septic system \_\_\_\_\_  
 Electrical upgrades \_\_\_\_\_  
 Room/central air conditioning \_\_\_\_\_  
 Insulation \_\_\_\_\_  
 Roof and chimney \_\_\_\_\_  
 Window construction (vinyl, wood, storm windows)  
 \_\_\_\_\_  
 Alarm system \_\_\_\_\_

**Features**

Fireplace \_\_\_\_\_  
 Type of flooring (hardwood, carpeting, etc.) \_\_\_\_\_  
 \_\_\_\_\_  
 Light fixtures \_\_\_\_\_  
 Attic \_\_\_\_\_  
 Basement \_\_\_\_\_  
 Skylights \_\_\_\_\_

**Appliances**

Kitchen built-ins \_\_\_\_\_  
 Washer/dryer \_\_\_\_\_  
 Garbage disposal \_\_\_\_\_

**Other**

Floor plan \_\_\_\_\_  
 Overall curb appeal/aesthetics \_\_\_\_\_  
 \_\_\_\_\_

# Types of Mortgage Loans

There are many mortgage choices available to you and selecting the right one that fits your needs is important. Here are some different types of mortgage loans to consider.

**Fixed-rate loan.** If you've found a home you plan to live in for 10 – 30 years, consider a fixed-rate loan. It's predictable and stable since the interest rate is set for the full length of the loan. Because the monthly payment for principal and interest stays the same for the life of the loan, it's easier to plan a budget. Mortgage lenders offer many fixed-rate loans with terms to fit your budget, including loans that require no money down.

**Adjustable-rate loan.** An adjustable-rate mortgage (ARM) usually starts with a lower initial interest rate than traditional fixed-rate loans. After a set initial payment period (usually 1, 3, 5, 7 or 10 years), the interest rate may change periodically (usually annually or semiannually) based on market conditions. As the rate changes, your monthly payment changes. ARM loans feature an adjustment "cap" which limits how much the interest rate can go up. This helps protect you from large increases in your monthly payment. If you plan on being in your home for a shorter period of time, or expect your income to increase over the years, an ARM loan may be just the right fit for you. Mortgage lenders have a variety of ARMs that are designed to keep your initial mortgage payments affordable and come with a lifetime cap, so you'll know up front the maximum rate you may have to pay. We also offer options that allow you to convert to a fixed-rate mortgage between the second and the fifth year, which enable you to qualify at a lower start rate and then switch to the stability of fixed payments for the balance of the loan term.

**Jumbo loans.** These are loans for homebuyers who require larger loan amounts. Most lenders can offer a variety of jumbo loan programs.

## **Loans for first-time homebuyers.**

Most lenders offer affordable loans to make it easier for first-time homebuyers with limited savings to qualify for a home loan. Specifically, FHA and VA government loans are available to qualified buyers, based on income or property location. These affordable financing programs can help make it easier to buy a home since they require little or no money down and also offer flexible credit and income guidelines.

**Repayment schedule.** Also consider how quickly you'd like to repay your loan – within 15 years, 20 years, 25 years, and 30 years? Do you want to make biweekly mortgage payments? Typically, the sooner you repay the loan, the more you'll save in interest payments. However, the longer you extend the term of your financing, the lower your monthly payments may be. So when choosing a loan term, consider your budget, your long-term spending patterns, your income over the life of the loan and how long you plan to stay in your home.

**Prepayment Penalties.** Some lenders have a prepayment penalty. Ask your lender. These can cost you thousands. Contact a Realtor® in your area, prepayment penalties may be illegal in your state. Always ask the lender and document the response.

# Which Loan is Right for Me?

The lifestyle situations below are to help you decide which loan you might want to consider.

*“Getting the lowest monthly payment is most important to me, and I’ll be in my home for less than five years”*

- A long-term ARM (five years or longer) if your income is fixed or expected to decline.
- A short-term ARM (three years or less) if you expect your income to increase.

*“Getting the lowest monthly payment is most important to me, and I’ll be in my home for more than five years.”*

- A fixed-term mortgage (for example, 30-year fixed).
- A short-term or long-term ARM if you expect your income to keep increasing.

*“I have little money saved for a down payment”*

- An FHA loan.
- A VA loan, if you are a veteran.
- Check with your Realtor<sup>®</sup> for any special 0 down loans that are offered.

*“I have no traditional credit references (for example: car loan or credit cards) but I pay my rent and other bills on time”.*

- Check with your Realtor<sup>®</sup>, most lenders have a program that will allow you to get a loan by establishing a credit score based on the verification of your rent payments and utilities.

*“I have a credit history that’s less-than-perfect.”*

- Check with your Realtor<sup>®</sup> for available loan programs.

*“Paying off my mortgage faster and saving money by paying less interest long-term is what’s most important to me.”*

- A shorter-term mortgage, such as a 15 or 20-year fixed-rate loan.

# Applying for Your Loan

## **Loan application.**

Your mortgage lender can help you complete a loan application. Final approval of your loan depends on credit approval, verification of the information on the application and a satisfactory determination of the value of the property. You can speed up the process by providing the original documents required when you apply for your mortgage. Here is the information you usually need to begin the financing process, place these items in a folder and have them ready for your lender.

**Employment information** – Names, addresses and telephone numbers of all your employers for the last two years.

**W-2s** – These are the forms you get from your employer every year to file your income tax returns. Usually you will need to provide copies of your W-2s for the past two years. Other income information, such as social security, pension, interest or dividends, rental income, and child support or alimony, if you choose to have them considered. Self-employment income may also be considered. Ask your mortgage lender for details on how to document your income.

**Pay stubs** – Save your pay stubs and furnish those, which cover the 30-day period before the date of your mortgage application.

**Federal income tax returns** – If you are self-employed, or more than 25% of your income comes from commission, overtime or bonuses, you may need to provide complete copies of federal income tax returns you filed for the past two years.

**Bank statements** – You may need to provide statements from all your accounts (checking, savings, mutual funds, money markets, certificates of deposits, 401(k) or other retirement accounts) for the last two months to verify the exact amount of cash you have available for your down payment and other costs associated with your home purchase. For certain mortgage loans, a portion of the down payment may come from a gift from a family member or as a grant from a local down payment assistance program.

**Current debts** – By evaluating your debts, your mortgage professional can help make sure you can afford your new mortgage payment. To assist in this process, you will need to provide the account numbers, current balances and the minimum monthly payments of all credit accounts, such as loans, credit cards, child support and other payments you make each month.

# The Underwriting Process

Once all the required documentation has been gathered, your mortgage professional will submit your loan application to underwriting. Underwriting is the process of reviewing all of the information and making a decision as to whether a borrower qualifies for a loan. Underwriters evaluate your ability to repay the loan (income), your willingness to repay the loan (credit) and the value of the property that you've identified (collateral).

In deciding whether to approve a loan, the underwriter reviews the following information:

**Loan application.** The information provided on your application helps the lender answer basic questions such as:

- What is the source of your income, and is the source stable?
- Is your income adequate to cover the expense of the new mortgage payment?
- How much long-term debt (debt that will not be paid within the next 10 months) do you have?
- Are there enough assets to cover the down payment, closing costs and other expenses?

**Credit history.** Your credit history helps lenders evaluate your ability to manage debt. It reflects how repayment of your bills has been handled in the past. In some cases where borrowers do not have an extensive credit history, most lenders will consider alternative payment records, such as rental payments and utility bills.

**Property appraisal.** An appraisal provides an estimate of the market value of the home that you wish to buy and is based on similar homes sold in the neighborhood. Lenders usually grant up to certain percentage of the property's value in a mortgage loan. This percentage is called the Loan-To-Value (LTV) ratio. The rest of the property value is covered by your down payment.

# Closing (Settlement)

The closing is the final step in which the home is transferred to you. Once your loan is approved, a closing date is set. Depending on the laws of your state, the closing may be conducted by your lender, a title insurance or escrow company, your real estate broker, or an attorney who represents either you or the seller. Regardless of who conducts the closing, the required activities before and after the closing are the same.

## **Pre-closing activities.**

The purpose of the closing is to make sure the property is ready to be transferred to you from the seller. To ensure that the transfer can be made, the firm handling the closing must have the following information ahead of time:

**Title search and report** – research of land records, court records and other legal documents to determine if the seller has a clear, marketable title to transfer to you.

**Title insurance binder** – indicates the result of the title search and assures the lender the title to the property qualifies for a title insurance policy.

**Survey** – confirms the property boundaries are as described in the purchase and sale agreement. (A survey is not required in all states.)

**Termite, well, sewer or septic certificate** – certifies that the sewage and water supply work properly and that the property is free of termites and/or other wood-destroying insects. The sales contract will state whether you or the seller is responsible for these inspections and certificates.

**Title insurance** – title insurance protects your lender against losses that may be incurred because of a defect in the title, a forgery, a recording error, claims of undisclosed or unknown spouses or heirs, and other risks that did not appear in the public records when the title search was done. You will need to provide title insurance for your lender by your closing date. You may also want to consider purchasing a separate title insurance policy that protects your interests.

**Hazard insurance** – hazard insurance (sometimes referred to as a “homeowner’s policy”) protects you and the lender from loss in the event the home is damaged or destroyed by fire, storm or other hazards. You are responsible for obtaining hazard insurance prior to closing and for providing proof of insurance to your lender. The lender may also require additional insurance against loss by flood or earthquake.

# Document Preparation

There are several other documents that must be prepared before the closing. They include:

**HUD 1 settlement statement** – an itemized list of the credits and charges, for both you and the seller, based on the contract terms. When it comes to the HUD 1, always check it against the good faith estimate your lender gave you. (You should have received it from your lender within 5 days of receiving your loan application) Ask your lender about any discrepancies.

**Loan documents** – final loan documents that grant your lender a lien against the property in order to secure the repayment of your loan. These documents include a promissory note, which is your legal promise to repay the loan; and a deed of trust/mortgage – the instrument that is recorded in the public records.

**The deed** – transfers ownership of the property to you. The deed must contain a legal and accurate description of the property.



# Moving Checklist

## Send change of address to:

- Post Office
- Subscriptions (usually requires several weeks)
- Friends
- Relatives

## Be sure to contact:

- Bank: Transfer funds, arrange check-cashing in new city
- Automobile: Transfer car registration; also drivers license; motor club membership; state inspection sticker if applicable
- Utilities; Gas, light, water, telephone; get refunds of all deposits
- Route People: Laundry, paper, food services, change over services
- Medical: Request referrals from Doctor, Dentist and Pharmacist; transfer all needed prescriptions, x-rays and records
- Organizations: Transfer memberships (Houses of worship, clubs, civic organizations); get a letter of introduction
- Pets: Request information about licenses, vaccinations, tags and be sure to transfer all records from current Veterinarian

## Remember to:

- Empty freezer
- Defrost freezer and fridge
- Check your attic and basement or crawl space
- Check with your moving company about insurance coverage, packing and unpacking labor, arrival date, estimate in writing, method and time of expected payment
- Plan for special care of infants
- Plan a garage sale

## It's moving day!

- Plan for transporting pets
- Carry currency, jewelry and important documents yourself or use registered mail
- Carry traveler's checks for quick funds
- Double check closets, drawers, shelves (to be sure they are empty)
- Leave all old keys that will be needed by the new tenant

# Final Walk-Through Inspection

Your purchase contract usually allows you a final walk-through of the property 24 hours before closing. This is your opportunity to be sure the seller has vacated the property in the manner agreed to in the contract, that all mechanical and electrical systems are working and any agreed-upon repairs have been made. You can delay the closing if you feel the contract has not been met.

# The Big Day

Your closing day has arrived, and you are about to become the owner of a new home. At the closing, you will review and sign many documents, including the settlement statement, the note and the deed of trust/mortgage. Each document will be explained by the person handling the closing before you sign it. You have the right to inspect the settlement statement one business day before closing.

On your closing day, you will probably be required to pay any remaining down payment and closing costs. These costs will vary based on the type of loan, the loan amount and the legal requirements of the state in which you live.

Although closing costs are subject to change, your mortgage professional will let you know in advance what costs you will be responsible for and approximately how much they will be. A certified or cashier's check rather than a personal check is usually required. When all the necessary documents and releases are recorded, you will receive the keys to your new home.

# Post-Closing Activities

While you settle into your new home, the last of the closing activities takes place. All prior home loans and liens on the property will be paid and the final loan documents will be delivered to your lender.

# Your Rights as a Consumer

Under the law every consumer has the right to equal access to credit and the right to full disclosure of all costs associated with obtaining a mortgage. The **Equal Credit Opportunity Act** (ECOA) provides for equal access to credit regardless of race, religion, age, color, national origin, sex, marital status or income from public assistance programs. There are additional protections if you have a physical or mental disability. For more information on your housing rights, contact the U.S. Department of Housing and Urban Development (HUD) and request the *Fair housing – It's Your Right* brochure.

In addition, the ECOA requires that you be notified as to whether your application has been approved as requested, modified or rejected within 30 days of the completed application.

Specific reasons for rejection must be given to you, in writing, at the time of rejection or upon your written request for the specific reasons. An application is considered complete once the lender has received all the information necessary to make a loan decision. This may include such information as:

- Credit reports
- Employment/income verifications
- Appraisals
- Approvals by insurance companies
- Additional information, as required

Additional consumer protection laws include the **Real Estate Settlement Procedures Act** (RESPA) and the **Truth-in-Lending Act**. RESPA requires lenders to give you advance notice of estimated closing costs in purchase and refinance transactions. The Truth-in-Lending Act requires all lenders to fully disclose, in writing, the terms and conditions of a loan including the Annual Percentage Rate (APR), which reflects the cost of obtaining credit.

# Relocating With Children

Handle With Care! Moving to a new home is a big change for everyone – even little people! Your children’s lives will be affected by a move, and it’s a good idea to keep them informed and even consult them about choices when possible.

Some things to consider:

## Teenagers

Teenagers are most concerned with fitting in. They worry about making new friends and adapting to a new school. Will they have the right clothes? What about hairstyles, cars, bicycles, etc? Be sure to talk with them about their concerns, and if you take an orientation trip be sure to take photos of the neighborhood and their new school. Reassure them that they can still keep in touch with their old friends, as well.

## Ages 6 to 12

These children will want to know how the everyday routines of their lives are going to change. If your children take dance lessons, karate, etc., or even if their favorite thing to do is go to the pizzeria and play video games, you can find these places in your new neighborhood and bring back pictures or brochures. Signing them up for sports teams is a great way to ease the transition into a new area.

## Preschool Children

Children under 6 years of age may worry about being left behind or being separated from their parents. Be sure to reassure your children that you will be back if you must go on an orientation trip without them. Bring a souvenir back to them when you return and maybe a picture or postcard to show where they will be living with you. It is very important for them to express how they feel about the move. To help them feel more secure, you might have them pack up their favorite toys and label their boxes with crayons and stickers.

# Settling In

The closing papers are signed, the moving van is unloaded, and you're finally in your new home surrounded by mountains of boxes! Now what??

Take a deep breath. Relax. You will eventually get everything sorted out, and before you know it you'll feel right at home.

## Take it one room at a time.

The kitchen is a good place to start, followed by the bathrooms and then the bedrooms. The living areas can wait till last.

## Collapse your boxes as you go.

Otherwise you'll end up with stuff all over the place and a mountain of boxes. If you collapse the boxes, it's easy to store or recycle them.

## Start two lists: a shopping list, and a to-do list.

Keep these lists with you, and add to them as you go.

## Let the kids help!

The kids can probably unpack quite a lot, if they're old enough. They may even enjoy being in charge of unpacking their own belongings.

## Pace yourself.

If you get tired, take a break. Go for a walk, and meet the neighbors. Go out and grab a bite to eat. The boxes will be they're waiting for you when you get back. It takes time to really settle in and even more time to get organized, so just do the best you can and remember, tomorrows another day!

# Home Owner Survival Kit

## Five items no homeowner should be without

Congratulations! You're a prod homeowner. You have a roof over your head, a furnace to keep you warm and a house full of walls just waiting for your decorative touch. But what happens when the roof starts to leak, the furnace starts to groan and the walls crack as soon as you approach them with a picture to hang? Are you prepared to tackle the little tasks that your landlord used to handle for you?

It will be worth your while to assemble a basic Homeowner's Survival Kit. A quick trip to the local hardware store should be all it takes. Bring along this list of essential home repair items, and you'll be ready for life's little "surprises."

1. **A flashlight.** Home repairs rarely involve spacious, well-lit areas. A good flashlight will save you lots of aggravation.
2. **A stud finder.** A stud finder used x-ray vision to locate the wall studs for you so you can hang heavy objects. Very cool.
3. **Spackle.** Spackle lets you fix the holes you made before you bought the stud finder.
4. **A level.** This will come in handy for hanging pictures, wallpaper or shelves. Buy a big one to impress your friends, and a little one that you'll use all the time.
5. **A phone book.** It's good to know your limitations. If you're not comfortable with electrical repairs, for instance, call a professional electrician. Your local emergency room will thank you.

# Quick Tips on Remodeling

- **Know your needs.** Do you just need to update your kitchen's look, or do you want to gut it and start over from scratch? Is your goal to increase your home's resale value significantly, or just to gain a little more livable space?
- **Know your expectations.** There's no way around it: remodeling involves mess, inconvenience and expense. You have to be patient and flexible – it'll be worth it in the end!
- **Know your contractor.** Take the time to select a contractor with great references and a personality you can work with.
- **Know your contract.** Get everything in writing, including itemized costs, a detailed description of the work to be done, and an approximate timetable.

## Top 5 Remodeling Projects:

The following 5 projects pay off particularly well when it's time to sell your home.

<b>Project</b>	<b>% of cost recouped</b>
Minor kitchen remodel .....	88%
2 <sup>nd</sup> -Story addition .....	83%
Bathroom remodel .....	81%
Bathroom addition .....	81%
Family room addition .....	75%

# First Time Home Buyer Resources

*You must open your Internet browser before these links will work.*

## **Search for Homes**

You can search for homes for sale in Iowa and other states in the US. Use the Search for home button on the first page. Then you can select homes in Iowa or use the other links for home in other states. You can also go to Fannie Mae Homes, or Freddie Mac Homes along with many other links. A great resource center and search engine for homes.

Please Bookmark this site.

<http://www.carolingibson.com/>

## **First Time Home Buyer Free Information Center**

This site provides up-to-date information for first time homebuyers.

<http://www.first-time-home-buyer-center.net/>

## **Sample Grant Program**

*Equity Grants* – helps families buy their home with a unique Gift Down Payment Gift Fund, which in turn benefits World Mission.

[www.equitygrants.org/](http://www.equitygrants.org/)

**Housing Action Resource Trust (HART)** is a 501©(3) non-profit housing development organization established in 1995. HART's mission is to provide affordable housing and homeownership opportunities throughout the United States. HART is actively rehabilitating homes in revitalization areas and is developing affordable housing in many communities across the country.

[www.hartprogram.com](http://www.hartprogram.com)

## **Time Buyer Programs in Iowa**

If you are interested in purchasing a home in the state of Iowa, these programs can help you. If you are a first-time home buyer or have not owned a home in the past three years and meet income and purchase price restrictions, you could be eligible for a below-market interest rate loan, or a tax credit on the amount of interest that you pay on your mortgage loan and more.

[www.ifahome.com](http://www.ifahome.com)

# Concluding Thoughts

The best thing a First Time Homebuyer can do is to contact a Real Estate agent that knows first time buyer programs and how to evaluate the best ones for you as the buyer.

There are many programs and they vary from state to state. Many realtors do not know all the programs or how to evaluate them to meet your goals along with getting you the best programs available. Lender offer programs that can work, but many of them only know the products they sell. Evaluating and selecting the right one for you can save you lots of money.

Let us help you in evaluating your options and get you in contact with a Real Estate Professional that will help you make the best (right) decisions for you.

**Sincerely**

**Carolin Gibson, ABR**

**With Iowa Realty**

**Licensed in Iowa, but we can help you no matter where you are looking. We have access to top Realtors all over the United States that will work for you and.**

Email us at [carolin@carolingibson.com](mailto:carolin@carolingibson.com)

Or call 1-800-247-2430 extension 5949

Office/Cell 515-453-5949

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