FINDING A HOME

PRACTICAL INFORMATION ABOUT BUYING OR RENTING A HOME
The text of this document is, in a large part, a direct adaptation of the publication *Your Place or Mine? - A Handbook for Homeownership* written by Cynthia Moran-Laux and Bob Laux of Creative Management Associates in Portsmouth, New Hampshire for the Illinois Planning Council on Developmental Disabilities. Editing and adaptation were provided through the Florida Supported Living Project which was funded by the Florida Developmental Disabilities Council and the Department of Health and Rehabilitative Services.

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Introduction

Having a home is very important. We all need a place where we can have time and space for ourselves, and feel safe, secure, and comfortable. Our home is truly "ours" when we feel like we belong and really care about making it a better place. When we have a home, we decide where we live and who lives with us. We choose who helps us and what they help us with. At home we have the opportunity for privacy, relaxation, and entertainment. Home is a place where we invite friends to share meals, music, television, and our company. Without a home, it is hard to make important and lasting relationships with others.

Homes are usually located in communities near other people. There are many opportunities within neighborhoods to meet new people and make friends. People who have lived in the same community for a long time may have valuable information to share. Neighbors may know the best places to go shopping, what restaurants offer the greatest value, where the best place to do laundry is, and what buses go where in the community. They may have had experiences with the best doctors and dentists or know who to call for building maintenance, utility hookups, or appliance repairs. Neighbors are an important part of community living.

A lot of people who have disabilities or special needs have not had the opportunity to experience having a home, making friends with neighbors, and belonging to a community. Home ownership or rental is expensive and can seem out of reach for individuals who have limited incomes. Many people discover they simply don't know where to start and need to learn more about real estate and housing.

If you are thinking of a home of your own, this book will help you plan carefully, set realistic goals, and clearly understand the costs involved. It will help you decide if renting or home ownership is best for you. It will also give you a good idea of how much home you can get for your money, what mortgage lenders look for in approving a loan, and where you can get help with rent, down payment, or financing. Finally, it will show you how to take advantage of flexible financing and other options that can help you make your dream of having a home come true. Because buying or renting a home is complicated, you may want to ask someone to go through this book with you or contact an organization that helps people get housing. The more you know, the better able you will be to reach your goal.

Good luck and keep on trying!
Chapter One

Preparing for a Home

Where is the best place for my home?

The best place to live is where you have access to those things that are important to you. Here are some things to consider.

**Job Opportunities** - Will you be near your work or places that offer future employment opportunities?

**Transportation** - Will you be near public or private transportation routes that will bring you to work, support services or recreational opportunities?

**Support Services** - Will you be able to get to support services like medical care, case management, clinics, community centers, support/training staff, etc.?

**Community Opportunities** - Will you be near or within easy transportation to places or activities that interest you? (Churches, recreational centers, schools, theaters, sports attractions, shopping, museums, zoos, parks, etc.)

**Community Services** - Will you have easy access to public services like police, fire protection, utilities (gas, electric, phone, cable, water, sewer), or benefit offices (Social Security, Medicaid, etc.)?

Do I want to share my home?

Sharing a home can be challenging. Everyone needs privacy, relaxation time, and personal space. When people share a home, they may have to compromise or give
up some things they consider important. Some individuals are not willing to do
this and decide that living alone is a better personal choice for them.

However, many people find that sharing a home is rewarding and a good way to
save money. Roommates can provide companionship and share expenses. Most
individuals choose to live with friends they have learned to trust. When people are
compatible, they have developed a relationship that works between them. Living
together can be very stressful for individuals who are not compatible.

If you want or need to share a home, it’s important that you spend time with your
potential roommate(s) before you decide to live together. Get to know each other
by talking about your housing needs, your likes and dislikes, and the things that
are important to you. Go to the movies, out to dinner, hiking, or away for the
weekend before you make this important decision. The more common interests
you have and the more understandings you reach, the more likely it is that your
living arrangement will work out well.

Here are some issues you might want to talk about and resolve with potential
roommates before you move in together.

GETTING ALONG

☐ Have we spent enough time together to trust each other? Do we feel safe and
secure with each other?

☐ What do we have in common? (music, sports, foods, television programs)

☐ How are we different? (smoking, drinking, staying up late, getting up early,
having pets)

☐ How will we deal with our differences? Do we need to make special
agreements about some things?

☐ What will we do if we have serious arguments or conflicts? Is there someone
outside our home we can turn to for advice and support, if needed?

☐ How will we share household chores and responsibilities? (cleaning the
bathroom, doing the dishes, vacuuming, laundry)

☐ How will we handle furnishing our home? Will we buy furnishings together?
What will happen if one of us moves out?
Are our tastes in food similar or different? How will we handle meal planning and grocery shopping? Who will cook?

How will we handle visitors? What happens when one of us wants to invite other friends over?

How will we handle intimacy and closeness with other companions, particularly sexual relationships?

What will happen when we want some time alone? How much privacy will each of us need? Have we planned our home so that we can each have our own private space?

**SHARING EXPENSES**

Do each of us have a personal budget worked out? Do we know what we can afford to pay for housing and related expenses each month?

How will we divide our household costs? (gas, electricity, water, sewer)

How will we handle food expenses? Will we share food or each buy our own?

How will we handle the telephone bill, particularly long distance calls?

Do we know when all our payments will be due and where they should go? Who will be responsible for mailing or delivering them?

What happens if one of us does not pay our share of expenses on time?

What resources do we have if we encounter financial problems?

Whose name(s) will be on the mortgage or lease? How will this affect household control and decisions?

What happens if one of us wants to move out? How will we handle any security or utility deposits if this occurs?

**Should I own or rent?**

When you look for your own home you have two options - you can buy property or you can rent property from someone else who owns it.
For many individuals, home ownership represents security and brings a sense of belonging to the community. Others see it as a serious commitment and responsibility. You will need to evaluate a lot of things if you are thinking of buying a home, including your income and assets, mortgage and financing terms, ongoing ownership expenses, and whether or not you want to assume this kind of long term financial responsibility.

Renting a place to live offers a lot of flexibility and suits some people better than ownership. When you rent an apartment, condominium, or house, the person who owns the property pays for the cost of the property, the taxes, and any needed repairs. Renting may be a better choice if you have to move frequently because of your work or if you are uncertain about your future finances. Renting may also give you more leisure time because the owner usually takes care of routine maintenance.

The decision to rent or own is a very personal one. The next few chapters will help you get enough information to make an informed choice.
Chapter Two
Renting

What is renting?

When you rent, the owner of the house (the landlord) agrees to let you (the tenant) live at the property for an agreed upon sum of money (rent). When you sign an agreement to rent the property for a period of time, say one year, it is called a lease. A lease is a legal agreement between the tenant and the landlord and will identify how much rent you must pay, what date the rent payment is due, and where you must send the check.

The lease will also outline the rights and responsibilities of the owner and the tenant. For example, as tenant you will be responsible to pay your rent on time and to pay your utility bills. The lease may also say that you cannot make loud noises or disrupt anyone else living at the property. If you violate any of the conditions of the lease, the landlord can evict you or force you to move out. Some things the landlord will probably be responsible for include keeping up the outside of the property; keeping utility services to the building, painting and maintenance, replacing things that wear out, and letting you enjoy the place you are renting. The landlord must give you notice before inspecting the property or repairing items, and cannot raise your rent during the term of the lease unless you both agree.

There are usually many other terms and conditions contained in a lease agreement. If you aren’t certain you understand them all, you should have a close friend, guardian, parent, or attorney review the lease with you before you sign it.

Is renting cheaper than owning?

Sometimes it is cheaper to rent than to own property. When you rent, you don’t have to insure the property, pay the mortgage, or worry about the expense of repairs and maintenance. The landlord pays all costs of owning the property including: taxes, mortgage payments, building/liability insurance, repairs,
replacement costs for appliances, utilities for common areas (like hallways, outside lights, etc.), sewer and water service, and management (someone to collect rents, pay bills, etc.). You pay a rental payment that is determined by the owner based on whatever is reasonable to charge for that type of home or property.

**What costs will be my responsibility if I rent?**

In addition to your rental payment, there are other things that will be your responsibility to pay when you rent. Some costs will be the responsibility of the landlord. Here is a list of most costs associated with living in rental property and an idea of who is usually responsible for paying each. (People who share a home usually reach an agreement on how these costs will be divided.)

- **Heat** - With some property the monthly rent payment includes heat. If heat is included, the cost for all fuel (electricity, gas or fuel) used in heating the house or apartment is paid for by the landlord. If heat is not included, you will be responsible for paying the cost of fuel used to heat the house or apartment. If the unit is heated by fuel, prior to moving in you will need to contact the fuel company and arrange for them to send you the bill. Some companies will require a deposit before delivery of fuel.

- **Electricity** - You will most likely be responsible for paying the cost of electricity in the place you rent. Electric bills can get very expensive, so don't forget to turn off lights when you're not in the room or to turn off the air conditioning when you leave home.

- **Water & Sewer** - The landlord is usually responsible for the cost of providing water and sewer services to rented property. However, if this is not included as part of your rental agreement, you will be responsible for the charges for these services.

- **Telephone** - You will be responsible for telephone service used in most rental housing. If you share your rental property with a roommate make sure you have an agreement on how long distance calls will be paid for by the person who makes them. Sometimes it's helpful to write down each time one of you calls beyond your local calling area. The basic monthly charge by the phone company is usually split among everyone who lives in the house.
- **Cable TV** - You will be responsible for the cost of monthly cable television to the place you rent. Remember that services like HBO, Sportschannel or Showtime cost extra and can be expensive. Make sure you discuss these with your house mates and decide together what you can afford.

Perhaps the best thing about renting rather than owning your home is that the landlord is usually responsible for maintenance and repairs, including appliances, painting, heat, hot water, and all outside maintenance like landscaping and roof repairs. The landlord owns the building, so it is in his or her best interest to keep it in good shape. It is also in the landlord's best interest to keep you happy by performing maintenance and repairs because landlords don’t want to have vacant rental property.

Use the rental expense worksheet on page 11 to help you decide if you can afford to rent a particular apartment, duplex, single family home, or condominium.

**What if I don’t have much money to spend on rent?**

If your income is limited, you may be able to secure housing for less money by renting from someone who knows you or by taking advantage of rental programs geared toward people who have low to moderate incomes. Here are some suggestions.

- **Renting from family**: You might be able to rent from a family member (brother, sister or other relative) who understands the limited amount of money you have for housing. There are various ways that family members may be able to benefit from tax breaks by renting to someone who has low or moderate income. And, because family members are not usually motivated only by profit, it is often easier to work out leasing arrangements. Check with your family!

- **Renting from a friend**: You may have a close friend or family friend who owns property and who would be interested in renting to you. When you get out the word that you’re looking for a home to rent, you may discover valuable contacts in your circle of acquaintances.

- **Shared homes programs**: Some communities have home share programs that are run by nonprofit agencies. Someone who wants to share a home they own
contacts the home share agency. The agency interviews people and tries to make a match. Home share programs sometimes assist people who have disabilities in finding another person to share a home with them.

- **Renting from a trust:** Trusts are legal ways that people can provide for the future of another person. Parents often put money in a trust for the benefit of their children. When money or property is put in trust, the trust owns the money or property but the individual gets benefits from the trust. Property like a house can be put in trust for the benefit of a person who has a disability. Under this type of arrangement, the person rents the house from the trust. The money paid in rent can be used to improve or repair the house when necessary. Renting property from a family trust can get quite complicated. If you and your family are considering this type of arrangement, you will need the advice of an attorney who is knowledgeable in estate planning. Special care must be taken to make sure that you don’t lose any benefits like Supplemental Security Income (SSI), Social Security (SSA), or Medicaid as a result of the arrangement.

- **Housing assistance groups:** There are nonprofit housing development corporations in most communities that work on behalf of people who have limited incomes. In addition, there are other agencies and organizations that buy and operate housing for people who have limited incomes. Often these nonprofit groups can make housing very affordable because they buy property for very little money and they get low interest financing. Some can provide a great deal of assistance to people who have disabilities or special needs, not only with affordable housing, but with other community arrangements. Some organizations help people with landlord problems, or assist them in getting benefits such as rent subsidies. Find out about the organizations and agencies in your community!

**Where can I get help like rent subsidies?**

Several federal, state, and local agencies offer **rent subsidies** for people who have limited incomes. Subsidies are a way of helping people afford to live in locally available housing. People receiving subsidies usually pay 30% of their income for their housing costs (rent and utilities) and the agency providing the subsidy makes up the difference.

**These are some agencies that can provide rental subsidies.**

⇒ The federal **Department of Housing and Urban Development (HUD).** Offers assistance with rent through “Section 8” certificates and vouchers.
Participants usually only pay 30% of their income for housing costs. Contact the housing authority in your area.

⇒ The **Farmers Home Administration (FmHA)**. Another federal program that offers rent subsidies to people who live in small towns or rural areas. Participants never pay more than 30% of income toward housing costs. Contact the FmHA branch office in your area.

⇒ **State programs.** Contact the Florida Housing Finance Agency in Tallahassee at (904) 488-4197. This agency can give you information about rental assistance available through state housing programs and tell you who to contact in your area.

⇒ **Local governments.** Some county and other local governments provide rental assistance programs. Usually, the amounts are small because they are designed to work with the other programs noted above. Contact your local county or city housing office.

Subsidies and the requirements related to them can be complicated. If you're interested you should get in touch with your community’s public housing authority or other local housing groups (housing foundation, housing development corporation, etc.) for information and assistance. **The worksheet on page 11 will help you see if you may be eligible for financial help like a rent subsidy.**
WORKSHEET FOR RENTAL HOUSING EXPENSES

This worksheet will help you decide if you can afford to rent a particular apartment, duplex, single family home, or condominium. It will also help you see if you may be eligible for financial assistance such as a rental subsidy. If you have a house mate, complete the worksheet by entering your personal income and your share (1/2, 1/3, etc.) of expenses. Utility companies may be able to help you estimate expenses like heat, electricity, etc. for a new rental home. (Note: This worksheet is for housing expenses only. You will need to budget daily living expenses like food, transportation, clothing, entertainment, etc. separately.)

I. MONTHLY INCOME:
   A. Benefits: (SSI, SSA, AFDC, etc.)
   B. Wages:
   C. Other regular income:
      (rent subsidies already received, supported living stipend, etc.)
      Total Monthly Income: (Add A, B, & C)

II. MONTHLY HOUSING EXPENSES:
    A. Rent:
    B. Heat (average monthly cost):
    C. Electricity (average monthly cost):
    D. Telephone (average monthly cost):
    E. Cable Television:
       Repairs, replacements:
       (budget a small amount for things like light bulbs, new lamps, cleaning materials, etc.)
       Total Monthly Housing Expenses:
       (Add A through E)

III. COMPARING INCOME AND EXPENSE
    A. Total Monthly Income (from I)
    B. 30% of monthly income? (.30 x amount in A)
    C. 50% of monthly income? (.50 x amount in A)
    D. Total Monthly Housing Expense (from II)

IV. CIRCLE ONE
    Is Monthly Housing Expense more than 30% of Monthly Income? Yes No
    Is Monthly Housing Expense more than 50% of Monthly Income? Yes No

If your monthly housing expenses are greater than 30% of your monthly income, you may be eligible for help with your housing costs (rent subsidy). Contact your local housing authority or nonprofit housing assistance group to find out what's available in your area.

If your monthly housing expenses are greater than 50% of your monthly income, you will need some type of additional financial assistance, rent subsidy, or other house mates. You may not be able to afford this rental home if some assistance with expenses is not available.
Chapter Three

Home Ownership

Home ownership gives people increased stability, permanence, and a sense of belonging to the community. For many individuals it is an effective way to save money over time and plan for future needs. However, with these benefits comes a serious commitment that goes far beyond renting.

What are the advantages of home ownership?

There are many good reasons for deciding to buy your own property. Here are some positive things about owning a home.

☑ A PLACE OF YOUR OWN: A home is a place you can call your own and control for as long as you want to stay. "Your home is your castle," as the old saying goes. You have more leeway to adapt your living space to your individual tastes and needs than you would in rental property. You can settle down in your community and have a feeling of permanence and belonging.

☑ FINANCIAL INCENTIVES: For many people, home ownership is a good idea for financial reasons. Owning your own home may have the following financial benefits.

Scheduled savings: When you buy a house, your monthly mortgage payments serve as a type of scheduled savings plan. Over time you gradually accumulate what lenders call equity, an ownership interest in the property that you can often borrow against or convert into cash by selling. In contrast, renters must continue paying rent to a landlord for as long as they rent, without the opportunity to build up equity.

Stable housing costs: Another advantage of home ownership is that while rents may increase year after year, most mortgage payments remain unchanged throughout the entire repayment period (typically 30 years). In fact, because of the effect of inflation, over the years you pay the same amount but with "cheaper" dollars.
Increased value: Houses usually increase in value, or appreciate, over time. It's not unusual to find a house that sold for $50,000 fifteen years ago valued at much more than that amount today. This increased value is as good as money in the bank to the home owner.

Tax benefits: Home owners also get significant tax breaks that are not available to renters. Interest paid on a home mortgage is usually deductible. This alone can save you a substantial amount each year in federal income taxes.

What are the drawbacks?

Despite the advantages, not everyone will choose to be a home owner. Buying a home is a complex, time-consuming, and costly process that sometimes involves unwelcome responsibilities. These are some negative things about owning a home.

Higher costs: Buying a house can put considerable strain on a family's finances. You can usually expect to pay more during the first several years as a home owner than you did as a renter. Even if your mortgage payments are less than you paid previously in rent, you must also pay property taxes, home owner's insurance, utilities, and upkeep expenses.

Possibility of foreclosure: Foreclosure is the sale of a mortgaged property by the lender when the borrower defaults (is unable to pay) the mortgage. A mortgage is a large financial obligation extending over a long period of time (see Chapter 5). Financial institutions can and do foreclose when borrowers fail to keep up their payments. This can result not only in the loss of the home, but also the loss of the home owner's investment and good credit rating.

Decreased mobility: Home owners also have less mobility than renters. A home owner cannot move after simply giving the required notice to the landlord. If you anticipate being transferred to a new job location within the next year or two, this might not be the best time to buy a house.

Repairs and maintenance: Many people do not want the responsibility of maintaining a home (mowing the lawn, taking care of needed repairs, etc.). In fact, the chance to have the advantages of home ownership without the accompanying repair and maintenance responsibilities is a major reason for the increased popularity of condominiums.
What are Condominiums and Cooperatives?

Condominiums and cooperatives allow people to invest in property and control their own home; however, the responsibilities for maintenance, property taxes, and planning for major repairs are shared on an equal basis by everyone who lives at the property.

**CONDOMINIUMS:** Condominiums, or **condos,** are associations formed to develop a piece of property. Condos are usually large apartment-like buildings, townhouse-type buildings, or single family homes joined together on a common piece of land. If you buy a condo, you will own your individual apartment or unit, but not the outside of the building or the surrounding land. That is owned by the **condominium association.**

Anyone who buys a condo must belong to the condominium association, a group made up of all the condominium owners. The association is responsible for taking care of everything but the inside of your home. Things like sidewalks, parking areas, lawns, roofs, outside painting, trash removal, landscaping, and the exterior of the building are the responsibility of the association. As an owner, you will be responsible for maintaining the inside of the place you own.

The services of the association are not free. You will pay a monthly fee to the association, called a **condo fee.** Because the services are shared among a large group of owners, the fee is likely to be less than if you had to pay for the same services as sole owner of a property.

Condos are a good option for people who want to own rather than rent, but want to minimize the amount of work they need to personally do around the house.

**HOUSING COOPERATIVES:** Housing cooperatives, or **co-ops,** are corporations that buy property - often on behalf of people who have limited incomes. The property might be single family homes, townhouses, or apartment buildings. Members of the co-op own a piece of the corporation, or **stock,** and as members have a right to live in one of the housing units developed by the co-op.

Some of the many benefits of belonging to a co-op include:

- **The low cost of joining:** Many co-ops are established to keep housing affordable, so the cost of membership stock is very reasonable.
- **The sharing of all maintenance and repairs:** Since the co-op owns the property, all members decide what needs to be done and how it will affect the monthly rents.
- **The low monthly rent:** Many co-ops are very creative in buying property and are funded through low interest rates. By saving a great deal of money in the beginning, the rents can be very inexpensive.

- **All members participate in decision-making:** As stock holders, all members participate in decisions about the building, including what repairs will be made and whether rents will increase. Members also meet to review applications of those interested in joining in the future.

Housing co-ops can provide a reasonable and affordable option for ownership. If you are interested, you should contact your local housing authority to find out if there is a co-op in your area.

**Can I Afford to Buy a Home?**

If you’ve thought about the positive and negative things about home ownership and are still interested, you need to consider whether you can afford to be a home owner. You don't want to find yourself living in a splendid house without a penny to spare for anything else, or overextend yourself to the point that you can't keep up your mortgage payments and are at risk of losing your home.

When most new home owners add up all their housing costs, they find that the total is higher than the amount they previously paid for rent. If this should be true for you, can you afford to pay more for housing than you are currently paying? Do you usually have some money left at the end of each pay period? If not, you may need to change some of your spending habits before you consider buying a home.

To get a clear idea of how you spend your money, try keeping a record of everything you spend during one month. Notice that some things you pay are **fixed expenses** (car payment, taxes, day care, etc.). Other expenses are **discretionary**, meaning that you have flexibility in deciding how much you spend in these areas (clothing, entertainment, etc.). When considering home ownership, you should work up a budget that considers both fixed and discretionary expenses.

When looking at your budget, you must decide how important it is to you to own your home. If necessary, are you willing to put off some purchases or spend less on certain discretionary things for a while? You can "try out" the cost of home ownership by putting aside each month the amount you think you would be able to pay over and above your current housing costs. This will give you an idea of how much more you can really afford to spend in order to own a home and whether or not you are willing to do it.
What price can I afford to pay?

There is a general rule of thumb that you can afford a house costing up to two and one-half times your annual gross income (the amount you make before taxes are deducted). For example, if you have an annual income of $20,000, your new home should cost no more than $50,000. If you are buying a house with someone else--spouse, parent, adult child, partner/companion, friend, brother or sister--you can count your co-purchaser's income in deciding how expensive a home you can buy. (Remember that lenders will also consider your co-purchaser's debts and credit history in deciding how much money to loan you.) However, your buying ultimately depends on two things: (1) how much you have available for the down payment and (2) how much a financial institution will agree to lend you. See Chapter 5 for more information about financing a home.

What costs will be my responsibility if I buy a home?

When you own property, you are responsible for all expenses associated with the property. Some of these expenses will be paid up front, and will be one time costs. Others will be ongoing for as long as you are a home owner.

UP FRONT COSTS:

’hui Down payment: Like most home buyers, you will probably need to get a loan or “mortgage” from a financial institution in order to purchase property. Virtually all lenders will insist that you contribute a sizable chunk of your own money as a down payment. Down payments are usually equal to 10 to 20 percent of the purchase price but may be flexible depending on the location and anticipated value of the property. Buying private mortgage insurance or taking advantage of government insured mortgages or affordable housing programs may also lower the amount of down payment you are required to make. Refer to Chapters 5 and 6 for more information about financing, down payments, and down payment assistance.

’hui Closing costs: In addition to the down payment, home buyers must be prepared to pay a number of additional up front costs. Called closing costs, these expenses include items like surveys, appraisal fees, and the costs of filing documents. They typically amount to three to six percent of the
amount of the mortgage. Closing costs on a $60,000 house would probably be between $1,710 and $3,420.

**Settling-in costs:** You will also need to consider the expense of moving and settling into a new home (moving company, new utility deposits, etc.). If you have a physical disability, or if the home you buy has some things that must be fixed immediately, you will need to have money available for making adaptations and repairs. You may also need to purchase major appliances such as a stove and refrigerator.

**ONGOING COSTS:**

**Monthly mortgage payment:** Most home buyers have been renters first and are used to a monthly rent payment. Instead of rent, as a home owner you will have a monthly mortgage payment that includes both principal (what you owe on the mortgage) and interest (what you’re charged for using the lender’s money). Lenders refer to payments of principle and interest as P&I. The amount of your monthly payment will depend on the amount you borrow, the interest rate, and the term (number of years you have to repay). Please see Chapter 5 for more information about financing a home.

**Taxes and insurance (T&I):** When you own a home, you will have to pay your share of property taxes based on the value of your property. Property taxes pay for schools, libraries, road repairs, fire and police protection, and other public services. You will also need to insure the property you own against potential loss or damage by fire, wind, flooding, and other problems that might occur.

In addition to principle and interest, your mortgage payment may include an additional amount for property taxes, home owner’s insurance, and private mortgage insurance. The lender will hold the additional amount in a separate escrow account and pay the tax and insurance bills when they are due. This is a way for lenders to protect their interests by insuring that these important annual expenses are paid on time. Because taxes and insurance are an essential part of a home owner's housing costs, lenders often refer to the components of a mortgage payment as "PITI" (standing for principal, interest, taxes, and insurance). Lenders also view condominium and cooperative fees as belonging in this category of basic housing costs.
If taxes and insurance are not included in your mortgage payment as part of an escrow account, you must plan to have enough money on hand to pay these bills when they are due. Your city or county tax office and your insurance company will send you information about when and how to pay property taxes and insurance premiums.

**Other costs of home ownership:** First time home owners are often surprised by how costly the basic upkeep on a home is, both in terms of time and money. When you are a home owner, you will need to have enough money for costs like the following.

**Utilities**-You will have to pay the costs of water and sewer service, heating, electricity, telephone, cable television, etc.

**Maintenance and Repairs**-You will be responsible for items that need maintenance or repair on the property. Window replacements, carpet cleaning, painting, and repairing broken porch stairs will be your responsibility as owner. So will the costs of lawn care and landscaping.

**Replacement Reserves**-You will need to anticipate and plan for the eventual replacement of major items within your home. Roofs, driveways, furnaces, water heaters and kitchen appliances are certain to wear out over time.

Use the worksheet on page 20 to help you decide if you can afford to buy a particular house, duplex, townhouse, or condominium.

**Am I ready to buy a home?**

Ask yourself the following questions to help decide if you are ready to be a home owner:

☑ Have I worked up a budget so that I know how much more I can afford to pay for housing?

☑ Do I have steady income and/or stable employment?

☑ Do I have an established credit record or can I build a nontraditional credit history with records of payments to landlords and utility companies?
☑ Is my credit profile favorable? Do I pay on time or before the due date?

☑ Do I have enough money saved up for a down payment and closing costs? If not, can I get help from relatives or agencies that might give or loan me money?

☑ Have I been "pre-qualified" by a lender and know how much I can borrow based on my income and existing debt?

☑ Is my existing debt low enough that it will not limit my ability to qualify for a mortgage? If not, can I pay down my debt before I attempt to buy a home?

☑ Can I benefit from any of the numerous financing options that are now available to low and moderate-income home buyers? Do I understand the requirements of these programs?

☑ Do I plan to stay in the same town or community for the next few years?

☑ Am I absolutely certain that I'm ready to assume all the responsibilities of home ownership?

If you can answer "yes" to all of these questions, you may be well on your way to owning your own home! If you are still looking for answers, read on--this book will help you find them!
WORKSHEET FOR HOME OWNERSHIP EXPENSES

This worksheet will help you decide if you can afford to buy a particular house, duplex, townhouse, or condominium and how much of the purchase price you will need to finance. It will also help you see if you may be eligible for financial assistance such down payment assistance, mortgage subsidy, or low-income financing. If you have a house mate, complete the worksheet by entering your personal income and your share (1/2, 1/3, etc.) of costs. Utility companies may be able to help you estimate expenses like heat, electricity, etc. for a new home. (Note: This worksheet is for housing expenses only. You will need to budget daily living expenses like food, transportation, clothing, entertainment, etc. separately.)

I. UP FRONT COSTS:
   A. Down payment required: ______
      (ask the lender)
   B. Closing costs: ______
      (bank points, legal fees, prorated taxes,
      survey costs, etc.)
   C. Relocation expenses: ______
      (movers, utility deposits, adaptations to
      new home, etc.)

   Total Up Front Costs: ______

Do you have enough funds available (savings, assistance from relatives, etc.) to cover the total amount of up front costs? Yes No

If your answer was NO, you will need to find alternative financing or some other type of assistance in order to buy this particular home. Check out the resources noted in Chapters 5 & 6 and other places in this book.

If your answer was YES, go on to compare monthly expenses and income.

II. MONTHLY INCOME:
   A. Benefits: (SSI, SSA, AFDC, etc.) ______
   B. Wages: ______
   C. Other regular income: ______
      (mortgage subsidy, payments by
      anyone who will be renting from you,
      supported living stipend, etc.)

   Total Monthly Income: (Add A, B, & C) ______

III. MONTHLY HOUSING EXPENSES:
   A. Mortgage payment: ______
      (ask lender)
   B. Property Taxes: ______
      (divide yearly amount by 12)
   C. Homeowners insurance: ______
      (divide yearly amount by 12)
   D. Heat: (average monthly cost) ______
   E. Electricity: (average monthly cost) ______
F. Telephone: (average monthly cost)  
G. Cable Television: (average monthly cost)  
H. Repairs, replacements:  
   (Budget a monthly amount for things like  
   painting, lawn care, etc. Recommended amount:  
   Multiply $.43 times total square footage of living  
   space and divide by 12)  
I. Replacement Reserve  
   (Budget a monthly amount for replacement  
   or repair of major items like the roof,  
   appliances, exterior painting, etc. The older  
   the home, the larger this amount should be.)  

Total Monthly Housing Expenses:  
(Add A through I)  

IV. Comparing Income and Expense  
A. Total Monthly Income (from II)  
B. 50% of monthly income? (50 x amount in A)  
C. Total Monthly Housing Expense (from III)  

Is the amount of your Total Monthly Housing expense  
greater than 50% of your Total Monthly Income?  
Yes  No  

If you answered NO, you can probably afford to purchase this property. If you haven’t  
already done so, you should check to see if you are eligible for income-based assistance or low  
interest financing from a source like the Farmers Home Administration, Florida Housing  
Finance Agency, or local nonprofit housing assistance groups.  

If you answered YES, you will probably need a higher income or some type of additional  
financial assistance (mortgage subsidy, alternative financing) in order to buy this particular  
home. Check the resources noted above as well as others that are mentioned in Chapter 6  
and throughout this book.
Chapter Four
Real Estate Basics

What is real estate?

The words real estate are often used to describe property - either land or buildings of some type located on land. Land without any buildings is generally called unimproved real estate. If owners of land want to put buildings on their land, they must apply to local authorities and receive permission to improve the property by adding structures. If permission is granted, the owner may go ahead and develop whatever type of building has been approved.

What is zoning?

The type of building the owner can develop is based on the community's zoning policies. Communities use zoning to ensure that the same types of buildings are developed in the same areas of town so that plans can be made for water, sewer and utility services, public transportation, schools, police protection, streets and highways, and other public services. Most communities have four types of zoning: single family, multi-family, commercial, and industrial zones. The homes of the most citizens of a community are usually located in either single family or multi-family zones.

Communities allow one family per home within a single family zone, generally within a defined lot size or area of land. Developers usually construct the same type or size of house in the area to insure some consistency in price and future resale value. In most single family zones you are likely to find single family homes, townhouse units, and condominiums.

Multi-family zones are developed to provide housing for a larger number of people per lot or area of land. Multi-family housing is usually rental housing and not owned by the tenants. This generally includes apartment buildings, duplexes (a two family building) or townhouse rentals.
What happens when someone buys real estate?

All real estate or property is owned by someone. When you buy or purchase the property from the owner, you get the title or right to the property. The title is a piece of paper which describes the property that you own. A title to real estate is also called a deed.

The price of a property is determined by a **purchase and sales agreement** between the **seller** (owner) and a **buyer** (the person who wishes to purchase the property). A purchase and sales agreement must clearly outline a number of critical issues between the buyer and seller. The agreement should identify:

- What property is to be purchased and what goes with the property (appliances, curtains, furnishings, etc.).
- The price of the property and the expected date and place of the property closing (see below).
- How the buyer will pay for the property, including any agreements for financing.
- How taxes will be prorated. (The owner pays the year’s taxes up to the date the title transfers to the buyer.)
- Other things that need to be agreed on such as building and pest inspections that will be required or any easements that need to be clarified. (An easement is permission to others for specific use of some or all of the property - roadways or paths, for example.)
- The amount of fees, if any, to be paid to a real estate agent who brought the sales agreement together.

After the price and other conditions are agreed on, the title to the property is transferred from the seller to the buyer at a **property closing**. The property closing is a meeting between the buyer and seller where important papers are exchanged that transfer the property to the new owner. It is a very good idea for buyers to have an attorney who is representing them review property closing documents before they are signed and finalized.
Where can I get advice about buying real estate?

If you want to buy a home or other real estate, it is a good idea to contact a real estate agent. Real estate agents are professionals who help people buy or sell property. They are paid by receiving a commission based on the price of the property that’s sold. This commission usually comes out of the seller’s sale proceeds. When more than one real estate agent is involved in a sale (one acting on behalf of the buyer and one on behalf of the seller, for instance) the commission is divided between them.

The majority of people who sell homes list them for sale with a real estate agent. These properties can appear on multiple listings that are available to other real estate agents in the community. When you contact a real estate agent, he or she can help you look for a home from among all the properties listed with real estate agents in the area. Many real estate agents use computers to narrow down the list to only homes that have the features and price you are interested in. Real estate agents can also give you information about assistance and financing available through housing groups and banks in the local community. They will help you negotiate a sales contract with the seller and guide you through the steps leading to the property closing.

It is important to remember that the seller’s real estate agent is working for the seller and not for you. Ethical professional real estate agents will not deliberately mislead you; however, it is in their interest to make a sale. You should always obtain a professional property appraisal through a licensed property appraiser to make sure the property is worth the selling price. This is usually required if you are financing the cost of the property through a bank or other lender. In addition, it’s very important to get advice from an attorney with experience in real estate law before signing any binding documents or closing on the property deal. It’s also a good idea to have the home you are interested in inspected by a professional home inspector before you sign a sales contract. An inspector can point out potentially costly problems that may cause you to change your mind about purchasing the property.

Most communities also have housing assistance groups that offer help to people of low to moderate income who want to buy homes. Many of these groups offer home buyer education courses about shopping for and inspecting a home. Check in your community for groups such as housing foundations, housing development corporations, housing authorities, and lenders consortiums.

It is also good to talk to your relatives, friends, or other people you trust about any questions you might have before you make a decision about home ownership.
Chapter Five

Financing a Home

What is a mortgage?

Homes usually cost many thousands of dollars and few people have enough available cash to pay the purchase price outright. Because of this, people usually borrow the money to buy a home from a bank or some other place that lends money.

When you borrow money to buy a home, the lender holds a mortgage or a lien against the property. This means that you are obligated to pay the money back over a specific period of time. Payments are usually made on a monthly basis and are known as mortgage payments.

In Florida, mortgages are recorded in the office of the Clerk of the Circuit Court in the county courthouse. Anyone interested in buying the property will know that money is still owed on the property. If you want to sell property that has a mortgage recorded against its title, you must pay back the money you still owe for it. When you sell property, the money to pay off any mortgage is usually taken from the proceeds of the sale. Once you pay back the money you borrowed, the mortgage against the property is removed.

How much will my mortgage payments be?

The amount of your monthly mortgage payment will depend on how much money you borrow. There are also two other conditions that will directly affect the amount of your monthly mortgage payment.

INTEREST RATE

Interest is what the bank or other lender charges you for the use of the money you borrow. Paying interest is like renting money. The interest rate is the amount of
interest you are charged expressed as a percentage of the total loan. Here's an example of how interest rates affect monthly mortgage payments.

Let's say you borrow $50 from a bank and agree to pay it back at $10 per year without interest. How long would it take?

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Due</td>
<td>$50.00</td>
<td>$40.00</td>
<td>$30.00</td>
<td>$20.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>Interest</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Payment</td>
<td>$10.00</td>
<td>$10.00</td>
<td>$10.00</td>
<td>$10.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>Balance</td>
<td>$40.00</td>
<td>$30.00</td>
<td>$20.00</td>
<td>$10.00</td>
<td>$ 0</td>
</tr>
</tbody>
</table>

The answer is five years. Each year the principal (amount borrowed) owed the bank is directly reduced by the amount of payment made.

What happens when interest is added to the amount borrowed from the bank? Look at the same loan over five years when the interest charged is 5%.

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Due</td>
<td>$50.00</td>
<td>$42.50</td>
<td>$34.63</td>
<td>$26.36</td>
<td>$17.67</td>
</tr>
<tr>
<td>New Amount</td>
<td>$52.50</td>
<td>$44.63</td>
<td>$36.36</td>
<td>$27.67</td>
<td>$18.56</td>
</tr>
<tr>
<td>Interest</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Payment</td>
<td>$10.00</td>
<td>$10.00</td>
<td>$10.00</td>
<td>$10.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>Balance</td>
<td>$42.50</td>
<td>$34.63</td>
<td>$26.36</td>
<td>$17.67</td>
<td>$ 8.56</td>
</tr>
</tbody>
</table>

At the end of five years you will still owe $8.56! **Interest adds to the amount borrowed. The more you pay in interest, the longer it will take you to pay off your loan.**

**TIME**

Bank loans for homes, called residential mortgages, are usually 15, 25, or 30 years in length. Some state and federal loan programs (See Chapter 6) are 35 to 40 years in length and have lower interest rates. Loans are spread out, or amortized, over a period of time to lower the monthly payments so that borrowing is more affordable. However, the longer the payment schedule, the more interest you pay over the term of the loan.

Here's an example of what happens with interest rates and the length of a loan. Assume you want to borrow $40,000 toward a $50,000 house. Here's what you find when you compare interest rates over a 15, 25, and 30 year mortgage period.
Monthly Payments on $40,000 Loan (Principal and Interest)

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>15 Year Mortgage</th>
<th>25 Year Mortgage</th>
<th>30 Year Mortgage</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.5%</td>
<td>$370.80</td>
<td>$295.60</td>
<td>$279.69</td>
</tr>
<tr>
<td>8.0%</td>
<td>$382.26</td>
<td>$308.73</td>
<td>$293.51</td>
</tr>
<tr>
<td>8.5%</td>
<td>$393.90</td>
<td>$322.09</td>
<td>$307.57</td>
</tr>
<tr>
<td>9.0%</td>
<td>$405.71</td>
<td>$335.68</td>
<td>$321.85</td>
</tr>
<tr>
<td>9.5%</td>
<td>$417.69</td>
<td>$349.48</td>
<td>$336.34</td>
</tr>
<tr>
<td>10%</td>
<td>$429.84</td>
<td>$363.48</td>
<td>$351.03</td>
</tr>
</tbody>
</table>

Monthly payments will be the lowest when the interest rate is lowest and the mortgage term is longest. For example, the monthly payment on a 30 year mortgage with a 7.5 percent interest rate is $279.69. When the interest rate is higher and/or the mortgage period is shorter, the monthly payments will be more. At a 10 percent interest rate for a 15 year loan period the payment is $429.84. The difference between these two payments caused by adjusting the interest rate and length of the mortgage is $150.15 per month or 1,801.80 per year! For this reason, most home buyers repay their mortgage over the longest term possible, usually 30 years. However, you should remember that the longer the term, the more money you pay in interest over the life of the loan!

What is a down payment?

When you obtain a mortgage for a home, most lenders will require that you pay some cash toward the purchase of your home. Lenders see most buyers as potential risks, and feel more secure knowing that you have some of your own money invested in the property because you are less likely to walk away from it if your finances take a turn for the worse. As far as a bank is concerned the more money you put down on the property, the less risk the bank has. Lenders such as banks usually expect buyers to make a down payment amounting to at least 20 percent of the purchase price - $12,000 on a $60,000 house, with the bank lending the remaining $48,000. However, buyers can pay as little as 5 percent down provided they purchase private mortgage insurance that protects the lender in case the borrower fails to repay the loan (see Chapter 6). This would reduce the down payment requirement on a $60,000 home to $3,000. You could buy the same house with an even lower down payment by taking out a government-insured (FHA or VA) mortgage or by taking advantage of various affordable housing programs. The more money you put down the smaller your monthly payments become because you are borrowing less from the bank. Here's an example.
<table>
<thead>
<tr>
<th></th>
<th>10% Down</th>
<th>20% Down</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Cost</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Down Payment</td>
<td>-5,000</td>
<td>-10,000</td>
</tr>
<tr>
<td>Bank Financing</td>
<td>$45,000</td>
<td>$40,000</td>
</tr>
</tbody>
</table>

Where can I get down payment assistance?

If you are a first-time home buyer, the price you can afford to pay for a house may be limited by your ability to come up with the required down payment. Unlike home owners who can rely on equity in a property they already own, your savings are probably your principal resource. If you have not accumulated much savings, you may need to regularly set aside funds from your paycheck specifically for a down payment. However, if you are a person who has a disability, saving money may be a problem for you. It is difficult to save when you have very little income.

In addition, there are rules about how much you can accumulate in savings if you receive certain benefits. Under the rules of Supplemental Security Income (SSI), for example, those who receive benefits cannot have cash or other liquid assets (savings accounts, stocks, bonds, jewelry, etc.) in excess of $2,000 without losing benefits. However, exceptions to this may be approved if you are saving for things that will make you more self-sufficient. If you are interested in saving for a home, ask your SSI representative about a Plan of Action for Self-Sufficiency (PASS).

If you need help with a down payment, you might want to consider some of the following options.

**Borrow the money:** You could borrow the money from a friend, family member, trust, or agency (like a non-profit organization). Under this type of arrangement, someone loans you money for the down payment. Whoever loans you the money can charge you interest on the loan, but they aren’t required to. Certain gift laws can allow you to receive the money interest free without jeopardizing SSI or Medicaid benefits.

**Participate in an equity sharing program:** When you participate in equity sharing with a property owner, it is sometimes a lease-purchase option. You agree to rent or lease over a specific period of time with a portion of your rent being applied to the down payment needed to buy the house. For example, let's assume you want to buy a $50,000 house and you only have $1,500 in savings. You need a $5,000 down payment. The owner could agree to lease the property to you for three years at $600 per month, using $100 per month of the rent toward the purchase price. After three years you would have "saved" $3,600 toward the
purchase price (36 months @ $100/month). Along with your savings, you would be able to buy the house.

Equity sharing can also be done with a friend, family member, or an agency (like a non-profit organization). For example, your family could buy the house and collect rent plus deposit money from you monthly until you paid enough to cover the down payment.

**Participate as a shared owner in property:** You might consider sharing ownership with someone else, like a friend, family member, trust, or agency. Because the property is owned by you and others, you are all responsible for the down payment and monthly expenses associated with owning the home. For example, if you and a friend wanted to buy that $50,000 home, you would each need to pay $2,500 to meet the $5,000 down payment requirement. The way you get the down payment money could be different for each of you. One of you may have saved enough money, and the other may have had help from a family member. Shared ownership offers a great deal of flexibility but can also present some problems. Several issues need to be worked out including what happens when one person wants to leave or what happens if someone doesn't pay their share on time.

**Participate in local, state or federal housing programs:** Some programs offered through local communities, the state, or federal government require very little down payment money. Some communities offer housing assistance programs including **100 percent financing** where no down payment is required, **mortgage subsidies** that assist in meeting monthly payments, or **mortgage guarantees** that take the risk away from a bank and allow them to provide 100 percent financing. There are also offer first time home buyer programs that include little or no down payments and low interest rates. Additionally, the federal government has many programs under the Department of Housing and Urban Development (HUD) or, in rural areas, the Farmer's Home Administration (FmHA). To find out what's available in your community, you should check with your local housing authority.

**Obtain down payment money through a gift or grant:** Although most banks don't like for people to borrow money toward down payment, they will allow you to use money that has been given to you as a gift. However, they will expect you to be able to pay at least three percent of the total purchase price with your own money. You might be able to enlist the help of your parents or other relatives to provide the remaining two percent. Some local governments or community housing agencies may have grant programs for down payment assistance to individuals who have low incomes. When you provide three percent of the down payment and receive assistance with the remaining two percent, it is called a 3/2
Option. If you receive this kind of help with a down payment you will need a gift letter to verify that no repayment is expected.

Should I pre-qualify for a mortgage?

Finding out how large a mortgage you’ll be eligible for if your loan is approved is called qualifying. It’s a very good idea to pre-qualify through a bank or another lender before you start shopping for a home. This will give you an idea of the price range your prospective home should fall in. If you are a person who has a modest monthly income, you should contact a low-income housing organization in your community (sometimes called housing foundation, community development corporation or lenders consortium). These groups can help with pre-qualification and answer many questions about financing and mortgages. You should be ready to give information about your income and all your debts. You may discover that you need to prepare for home ownership by paying off some debts so that you can qualify for a larger mortgage.

Lenders want to be certain that home owners will be able to pay off their mortgages and look at two debt ratios (how debts compare to income) when they evaluate how much indebtedness someone should assume when purchasing a home.

The standard lenders qualifying guidelines are as follows:

1) Total monthly housing costs (mortgage payments, property taxes, insurance, etc.) should not exceed 28 percent, or about 1/4, of the gross (before tax) monthly household income.

2) Total monthly housing costs plus other long-term debts (those that will take more than 10 months to pay off) should not exceed 36 percent, or about 1/3, of the gross monthly household income.

When you have signed a contract on a home that you want to buy and completed a mortgage loan application, the lender will get information from you about your personal finances. These guidelines will be used to calculate whether you qualify to borrow the amount of money you need to buy the property.

Certain programs for low and moderate income home buyers are set up so that these debt ratios are expanded, meaning that borrowers through these programs can qualify for a larger mortgage with less income. (Refer to Chapter 6 for more information about federal, state, and private affordable home programs.) Some
banks also have affordable or first time home buyer programs that allow borrowers to qualify with a lower amount of income.

Qualifying for a loan is only the first step in having the loan approved. The loan application and approval process is discussed in detail in Chapter 8.

What should I know about my credit record?

Lenders will conduct a credit check on you and any co-borrowers when evaluating your request for a mortgage. They want to see how you’ve done at repaying other money that you have borrowed and meeting other financial obligations. Unfortunately, credit reports are sometimes inaccurate or give a misleading picture of past credit problems that have since been resolved. There are some things you should do as soon as you decide that you want to be a home owner in order to avoid unpleasant surprises and the risk of being denied a mortgage because of incorrect information.

Obtaining your credit record: You can obtain your credit report for a small fee. Look in the yellow pages under “credit reporting agencies” and contact your local agency to request a copy.

Correcting an incorrect credit record: If you find any errors, you should get the agency to correct them before you apply for a mortgage. If you have an unresolved dispute with a creditor, the credit agency must include your explanation of the situation in future credit reports.

Repairing a bad credit record: You may find that your credit record is not as clean as you wish. If you are currently having credit problems, you may have to resolve them before you can purchase a home. If you had credit problems in the past, but have since kept current on debt payments, your more recent track record may persuade a lender that you are a good risk. By law, most unfavorable credit information must be dropped from your credit file after seven years. Bankruptcy stays on your credit report for ten years.

Establishing a credit record: Lenders want to see a record of debts that were duly repaid. If you have no credit record, either good or bad, you should try to establish one. If you don’t have a traditional credit record (payments on credit cards, car loans, etc.) you may be able to establish a nontraditional credit history by documenting timely rent and utility payments.
Chapter Six

Financing Alternatives

When you make an offer to buy a home, you will be expected to state not only the proposed purchase price, but how you plan to finance the purchase. Now is the time to explore the financing alternatives and assistance available in your area. Some of the ways you can "stretch" your buying power are discussed in this chapter. These can include private and government insured loans, alternative financing mortgages for first time home buyers, and special financing options for low and moderate-income home buyers.

What is mortgage insurance?

Mortgage insurance protects the lender in the event the buyer fails to repay a loan. Loans that are insured, either by the government or by a private mortgage insurer, enable the home buyer to purchase a home with a lower down payment than would otherwise be acceptable to the lender. The following are some types of mortgage insurance.

- **Private mortgage insurance (PMI).** When private mortgage insurance is purchased, lenders will reduce the down payment requirement from 20 percent of the purchase price to five percent of the purchase price. On a $50,000 home, instead of putting down $10,000, you might be able to make a down payment as low as $2,500! The cost of PMI will be added to your monthly mortgage payments and your closing costs. Your bank may be able to give you information about PMI or you can contact insurance agents listed in your local telephone book.

- **Government-insured loans.** Mortgage insurance also is available through two programs of the federal government: the Federal Housing Administration (FHA) mortgage insurance program operated by the Department of Housing and Urban Development (HUD) and the Farmer's Home Administration (FmHA) operated by the Department of Agriculture. Look in your telephone book for the local offices of these agencies.
• **FHA guaranteed loans.** In order to obtain an FHA insured loan, you must apply through a lender that is approved to handle FHA loans. FHA requires that the properties being purchased meet certain minimum standards. With FHA insurance, you can purchase a home with a very low down payment (from three to five percent of the FHA appraisal value or the purchase price, whichever is lower). The FHA's maximum loan limit varies from $67,500 to $124,875, depending on the average cost of housing in a given region.

• **Farmers Home Administration (FmHA) guaranteed loans.** The FmHA offers low-interest home ownership loans to low and moderate income persons who live in rural areas or small towns. Check with your local county FmHA office or a local lender for eligibility requirements.

• **State and local loan programs.** A number of state sponsored programs exist to help home buyers qualify for mortgages. Some local government housing agencies also offer attractive loan terms to eligible home buyers in some areas. These programs typically offer very attractive loan terms to home buyers that meet income guidelines. For more information, contact housing foundations and agencies listed in your local telephone book or call the Florida Housing Finance Agency in Tallahassee at (904) 488-4197.

### What are some alternative types of mortgages and financing options?

New types of mortgages and alternative financing options have become available in recent years, many of which are geared toward helping home buyers who have modest incomes qualify for a larger home loan.

**Adjustable-rate mortgage (ARM):** When a borrower obtains a fixed-rate mortgage the monthly mortgage payment for principal and interest will never change because the interest rate is fixed for the life of the loan. With an adjustable-rate mortgage, the interest rate paid by the borrower is adjusted from time to time to bring it in line with changing market interest rates. ARMs are attractive to some borrowers because they offer a lower interest rate in the beginning. The chief drawback is that monthly payments will increase when interest rates go up - sometimes significantly. How much payments can increase will depend on the terms of the mortgage. Before agreeing to an ARM, be sure you know how high your monthly payments could possibly go in the "worst case scenario." Most mortgage lending institutions are required by law to provide you with this information. You should only consider an ARM if it is the only way you
can afford to buy the house you want and you are confident that your increased earnings in the coming years will allow you to comfortably handle any increase in payments.

**Fannie Mae Financing Options:** For households of modest means, the greatest barriers to home ownership are coming up with the down payment and closing costs, establishing a credit history, and managing housing expenses that often are higher than the standards permitted in traditional mortgage lending. Fannie Mae, a program of FmHA, offers low and moderate-income households financing options that are designed to overcome these barriers. These options are offered in partnership with lenders, mortgage insurers, public agencies, and nonprofit organizations.

**Community Home Buyer’s Program:** Low-income home buyers who represent a good credit risk, and moderate-income individuals who might not qualify for home financing based on traditional lending criteria are eligible for this program if their household income is 115 percent of the area median income. (You can find out what the median income in your area is from your local lender or HUD office.) The Community Home Buyer's Program builds flexibility into the lending standards and increases purchasing power by decreasing the total amount of cash needed to purchase a home. The Community Home Buyer’s Program also has other attractive features including the use of nontraditional credit history, less cash at closing, and home buyer education.

**Housing Finance Agency:** Many communities have housing finance agencies that make mortgage money available at below-market interest rates. You can find out if your community has a local housing finance agency by checking the telephone directory or calling your local housing department. If mortgage money is available through your local housing finance agency you may be able to obtain a Community Home Buyer's program or other low down payment mortgage at a lower interest rate.

**Subsidized Second Mortgages:** You may be able to take advantage of subsidized (financially assisted) second mortgages. The funds for subsidized second mortgages are provided by city, county, and state housing agencies, as well as by foundations and nonprofit corporations. You must provide the down payment, usually amounting to five to ten percent of the purchase price. The first mortgage then provides most of the financing for the home purchase, with the subsidized second mortgage covering the remainder of the purchase price. Subsidized second mortgages offer several features that can help you close the affordability gap on a home purchase. Their payment is often deferred (delayed), they carry no or very low interest rates, and part of the debt may be forgiven for
each year that you remain in the home. Also, you may use part of the subsidy to pay for closing costs or rehabilitation costs that are not covered in the sales price of the home.

**SELLER TAKE-BACK MORTGAGE:** If you assume an existing low-interest mortgage, the balance on the mortgage will usually be far less than the purchase price of the house. This means you must come up with a very large down payment unless you can get the owner to finance part of the difference. Sometimes sellers are willing to take back a second mortgage, often at a below-market interest rate. Just be sure you can afford both mortgages.

**LEASE-PURCHASE MORTGAGE LOANS:** Lease-purchase mortgage loans help overcome a difficult obstacle - insufficient savings for a down payment. In this plan, nonprofit organizations purchase (and often rehabilitate) homes and then lease them to prospective home buyers with an option to buy. The nonprofit group charges a rent that consists of the principle, interest, tax, and insurance payments on the first mortgage, plus an extra amount that is earmarked for a savings account in which money for a down payment accumulates. Through such regular, scheduled savings, you normally will be able to purchase the home after a lease period of three to five years. The assumption or sales price of the home generally is established when you begin leasing, assuring you of an affordable home when you have accumulated sufficient funds for the down payment. You must qualify for a lease purchase mortgage to insure that you will be able to make timely lease payments and that you will be able to make timely mortgage payments when you assume the mortgage. A lease-purchase agreement will be negotiated between you and the nonprofit organization after you have qualified.

**COMMUNITY HOME IMPROVEMENT MORTGAGE LOANS:** Lenders with strong rehabilitation lending experience may offer Community Home Improvement Mortgage Loans. With this type of loan, you can obtain 95 percent financing for the purchase and improvement of a home in need of modest repairs. The amount of the mortgage is based on the appraised value of the home "as-completed." In addition, you must have cash reserves equal to two months' housing expense payments at the time of closing. The cost of rehabilitation is determined by rehabilitation plans, specifications, and a licensed contractor's itemized estimate for all rehabilitation work. The funds needed for the rehabilitation are held by the lender in an insured, interest-bearing account called the rehabilitation escrow account. With the lender's approval, you withdraw funds from the rehabilitation escrow account as needed to pay for the work.

**COMMUNITY LAND TRUST MORTGAGE LOANS:** To provide affordable housing for low- and moderate-income households, some communities are forming
nonprofit corporations known as community land trusts to own land that they will lease at affordable prices. A community land trust builds homes on the property it purchases, sells them as affordable housing, and leases the land (under a long-term ground lease) to low and moderate-income households. The land lease contains provisions ensuring the continued low-and moderate-income use of the land.
Chapter Seven

Shopping for a Mortgage

By the time you have signed a sales contract on a prospective home, you should have an idea of the kind of financing you want and need. For example, if you plan to live in the home you are purchasing for many years the interest rate may be your primary concern. If you think you will only keep the property for two or three years, the closing costs and whether or not there is a prepayment penalty (a charge for repaying the loan early) may be more important to you. Shopping carefully for a mortgage that suits your particular needs is time consuming but it is a very important part of the home buying process.

By this point, it’s a good idea to have done the following:

△ Pre-qualified with a lender or low-income housing group; and

△ Researched the current interest rates in the home mortgage market;

△ Obtained your credit report and resolved any problems, or established a nontraditional credit record with the help of a nonprofit housing group.

You can shop for a mortgage with confidence that you have done everything you can to ensure that you’ll get the financing you need! Now your challenge is to find the lender that offers the terms that are best for you. You may be surprised at the range of interest rates quoted, as well as the differences in fees charged by lenders for processing a loan. Even if you’ve been pre-qualified by a lender, you should satisfy yourself that the rates and loan terms offered compare favorably with other lenders. It’s definitely worth your while to shop around!
Where do I start?

Here are some of the places that offer home mortgages.

- Savings and loan associations,
- Commercial banks,
- Mortgage companies,
- Credit unions, and
- Finance companies.

Begin by telephoning at least six or more lenders (of different types) that offer home mortgages in your area. Check out interest rates, fees and alternative financing options offered by each. If you have a checking or savings account, it’s a good idea to start with the financial institution where you already do business. Ask if they offer home mortgages and if they grant favorable terms to their account holders. If you are a member of a credit union that makes home loans, you may find it offers very attractive loan packages.

Your real estate agent may know a lot about which local lenders offer the best terms and will be most willing to work with you. Your attorney or title company may also be able to make suggestions about mortgage lenders. If you have friends in the area who have bought houses recently, find out where they got their mortgages and if the terms were good. You should also look in the real estate section of your local paper. Many newspapers run comparative mortgage rate charts each week, and there may even be a mortgage rate “hotline” in your area. Finally, look in the telephone book yellow pages under “mortgages.”

How do I compare mortgage terms?

You should approach shopping for a mortgage in an organized way so that you can effectively compare loan terms among various lenders. Use the following to help you get the information you need to make a good decision.

**Checklist for Comparing Mortgage Terms**

- **Types of mortgages available.** Tell the lender what you are looking for and find out what type of mortgages the lender offers.

  Be specific because you will want to be sure that you are comparing terms among various lenders for exactly the same type of loan. A 95 percent, 30
year fixed-rate mortgage, for example. (If you plan to make a down payment of five percent of the purchase price, lenders call this a 95 percent loan.) If you are interested in one or more of the alternative financing options for low- and moderate-income families, or in FHA financing, find out if the lender handles these loans. Many banks also have affordable home mortgage for first time buyer programs. Be sure to ask!

For some home buyers, an important decision is whether a fixed-rate or adjustable-rate mortgage (ARM) is preferable. With a fixed rate mortgage, the interest rate you pay remains the same for the life of the mortgage. An adjustable rate mortgage allows for the mortgage rate to change at set times during the loan term. Financing options available to low and moderate income home buyers involve only fixed rates. Fixed-rate mortgages are "safer" because your monthly payment for principal and interest is fixed for the life of the loan. However, adjustable rate mortgages offer a lower initial interest rate, which means lower initial monthly payments, the possibility that rates will go down, and the possibility of qualifying for a larger mortgage amount. If you're confident that your income will increase steadily over the years, an adjustable rate mortgage might be right for you. If you are shopping for an ARM, please refer to the check list on page 42 for additional questions you should ask prospective lenders.

☑ Interest rate. Find out what interest rate the lender is offering.

Interest rates change often, even daily. In addition, the same lender will quote different rates for each type of loan it offers. The interest rate you get will not only determine how large a mortgage you qualify for, but the size of your monthly payments. Even a quarter of a percent difference in the interest rate represents a lot of money over the term of a 30-year loan. In order to accurately compare the rates quoted by different lenders, you also need to know about the following.

Points: Lenders usually charge a loan origination fee in the form of points. Each point is equal to one percent of the loan amount. For example, one point on a $50,000 mortgage would be $500. Each point paid is also roughly equal to 1/8 of a percentage point added to the interest rate. For example, a 10 percent loan and three points are roughly equivalent to a 10 1/4 percent loan and one point. Points are usually paid as a one-time expense at closing.
Annual percentage rate (APR): To compare the various combinations of interest rates and points that lenders quote, ask for the APR of a particular mortgage. This is the actual interest rate, taking into account the points and other costs of financing.

✔ Rate lock-in. Ask if the lender will hold or “lock in” the quoted interest rate for you.

When a lender quotes you a current interest rate, it may not be the rate available when you actually close the loan. A lock-in guarantees that you will get the quoted rate at the time of closing. An early lock-in may save you thousands of dollars in interest over the life of the loan, particularly if interest rates are rising.

Also ask when the lender will lock in the rate—at the time of application or only upon approval of your loan? Will the lender lock in both the interest rate and points? Can you get a written lock-in agreement? How long does the lock-in remain in effect? Is there a charge for locking in the rate? And, if interest rates drop before closing, can you lock in at a lower rate?

✔ Loan term. Find out the longest maturity, or repayment period, the lender offers.

Most home loans are repaid over 15 to 30 years. With a shorter loan term, you pay far less interest over the life of the loan, but your monthly payments will be higher. First-time home buyers typically take the longest mortgage term offered in order to get the lowest possible monthly payments.

✔ Down payment requirement. Ask what a lender's lowest allowable down payment is, with and without private mortgage insurance.

Remember that with the 3/2 Option (see Chapter 5), you can buy a home with a three percent down payment, instead of the five percent down payment usually required by lenders. However, you must obtain the remaining two percent for the down payment as a gift from a relative or as an unsecured loan or grant from a nonprofit organization or a state or local government. To qualify, your annual household earnings can be no more than 115 percent of the median income in your area. Regional offices of Housing and Urban Development (HUD) and participating local lenders have this information available.
☑ Private mortgage insurance (PMI). Ask the lender if mortgage insurance will be required.

Ask about the up front cost (payable at closing) and the monthly premiums. Also ask how long PMI will be required. Lenders are required to cancel PMI when the loan balance drops below 80 percent of the purchase price.

☑ Prepayment. Ask if the lender will charge prepayment penalty if you pay the loan off early.

If you think you may sell your house before the loan is paid off (the majority of mortgages are repaid within seven years), you should look for a loan with no prepayment penalty.

☑ Escrow requirement. Ask if the lender will include the cost of property taxes and insurance in your monthly payment.

When this is the case, your monthly mortgage payment will be higher and will be subject to annual increases as the costs for your property tax and insurance increase. The lender will hold the extra amount for property taxes and home owners insurance in an escrow account and will pay those bills for you when they are due.

☑ Processing time. Find out how long the lender normally takes to process a loan application.

Traditionally, loan approvals have taken 30 to 60 days or more. Some lenders now promise very short approval times (some within 24 hours), which may be an advantage, especially in times of rising interest rates or if you are particularly anxious to complete the purchase and get moved into your new home.

☑ Closing costs. Find out what closing costs the lender will charge.

Many closing costs are fees imposed by the lender which can vary considerably from one lender to the next. Ask specifically about the following: the application fee, origination fee, credit report fee, appraisal fee, survey (is one required?) fee, fees for the lender’s attorney, cost of title search and title insurance, and document preparation fee. If you plan to assume an existing mortgage, what is the assumption fee? Closing costs may be a bargaining chip in negotiations with the seller of the property.
Sometimes an anxious seller will agree to pay some or all of the closing costs!

✔️ **Payment schedule.** Ask the lender what payment schedule will be required.

Normally borrowers make one payment a month, or 12 payments a year. With a bimonthly payment schedule, you make two smaller payments each month, or 24 payments a year. With a biweekly payment plan, you make payments every other week, or 26 payments a year. If you get paid twice a month, rather than once a month, you may want to consider a payment schedule that matches your pay period. It will save you a surprising amount of interest over the life of the loan.

**Checklist for Comparing Adjustable Rate Mortgages**

If you are shopping for an **adjustable-rate mortgage (ARM)**, you want to find one that offers you the best protection in the event of skyrocketing interest rates. The most important thing to find out is the maximum amount your payments might increase. Would you be able to make such payments? Use the following checklist to help you compare ARMs offered by various lenders.

- **Initial interest rate.** Watch out for, "introductory discounts" or "teaser" rates, in which a lender offers a very low initial rates. They may appear to be a bargain, but the low rate lasts only until the first adjustment. After that you will be charged the "formal rate" at which point your payments may become unmanageable. Such loans may cost more than a standard ARM in the long run.

- **Adjustment interval.** Find out how often the interest rate can be adjusted? Every three years? Every five years? A loan with an adjustment period of one year is called a "one-year ARM," and the interest rate and monthly payment change once every year. A longer adjustment interval insulates you longer from rising interest rates.

- **Rate caps.** Find out about the lenders rate cap. This limits how much the interest rate on an ARM can increase. **Periodic caps** limit the increase per adjustment period, whereas a **lifetime cap** limits the amount the rate can increase over the entire life of the loan. For example, the lender may stipulate that the interest rate on an ARM can increase up to two percent a year but not
more than five percent over the life of the loan. A lifetime cap provides you with the most protection, but look for an ARM that offers both types of rate caps.

- **Payment caps.** Don't confuse rate caps with payment caps, a feature of some ARMs that may seem attractive but can get a buyer into real trouble. With a payment cap, there is a limit on how much your monthly payments can increase, regardless of how high the interest rate rises. As a result, you may end up paying the lender less than the amount of interest you owe each month. Any unpaid interest is added to your loan balance. The result is that the amount you owe increases rather than decreases with each payment—a phenomenon that lenders call negative amortization. You might eventually owe the lender more than the original amount you borrowed, despite all your monthly payments! Moreover, if your mortgage has a cap on negative amortization, your monthly payments could increase substantially when you reach that point. If you agree to a mortgage with a payment cap, be sure you discuss the possible consequences with the lender.

- **Convertibility.** Some ARMs allow conversion to a fixed-rate mortgage at specified times, typically during the first five years of the loan. If the convertibility feature is an added expense (some lenders charge an extra point, for example), find out the exact conversion terms and how much it would cost you to convert your ARM to a fixed-rate loan. This will help you decide whether this is a cost effective option.
Chapter 8

Applying for a Mortgage

When you have decided which lender offers the type of mortgage you want with the best terms for your situation, it’s time to call and make an appointment. Ask for a list of the documents you will need to bring with you and also request that a loan application be mailed to you ahead of time.

How do I prepare for a loan interview?

You should prepare for your loan interview by getting together all the information and documentation you will need to give the lender. You will speed up the processing of your loan application if you bring the following with you to the interview:

⇒ Completed loan application, if received ahead of time;

⇒ Personal information such as your address with zip code, phone number, social security number, and employment history;

⇒ Bank account numbers, the address of your bank branch, and your latest bank statement;

⇒ Pay stubs, W-2 forms or other proof of employment and salary, the name and address of your employer, and dates of your employment; proof of other sources of income (investments, trusts, etc.);

⇒ Information about debts, including loan and credit card numbers, and names and addresses of creditors; and

⇒ Evidence of your mortgage or rental payments, such as canceled checks or money order receipts.

You should also bring any other information the lender requested when you called to make an appointment for the interview. If you have a co-purchaser who will
also be signing the mortgage, this person should also attend the interview and take along necessary personal information and documentation.

What's involved in qualifying for a loan?

If you have not already been pre-qualified by the lender you selected, the loan officer who interviews you will want to make sure that you qualify for a loan in the amount that you are seeking. As noted in Chapter 5, lenders usually require that your monthly housing payment (including mortgage payment, taxes, insurance, condominium fees, etc.) not exceed 28 percent of your gross monthly income; and that your monthly housing payment plus your other long-term debts not exceed 36 percent of your monthly income. Various affordable and first time home buyer programs allow you to qualify for a larger loan with less income. Be sure to ask the lender about affordable home buyer programs or talk to your local public or nonprofit housing assistance organization about assistance available in your area.

What do lenders look for on a loan application?

Loan applications are designed to provide information the lender needs to evaluate the risk involved in lending you money - whether or not you will be likely to repay the loan as scheduled. Your lender can help you fill out the application at the time of the loan interview. However, if you receive the application in the mail in advance, you may want to ask a representative from a local nonprofit housing assistance group to advise you of the best way to complete your loan application. Your real estate agent may also be able to help.

When evaluating a loan application, lenders look at the "four C's" of credit:

1. **Capacity.** Can you repay the debt? Lenders ask for employment information: your occupation, how long you've worked, and how much you earn. They also want to know your expenses: how many dependents you have, whether you pay alimony or child support, and the amount of your other obligations.

2. **Credit history.** Will you repay the debt? Lenders also look for signs of stability: how long you've lived at your present address and how long you've worked at your present job. Lenders also look at your credit history: how much you owe, how often you borrow, whether you pay bills on time, and whether you live within your means. You will not help yourself by trying to cover up past credit problems in hopes that the lender won't discover them.
Instead, you want to be completely truthful but try to show that those problems are behind you.

3. **Capital.** Do you have enough cash for the down payment and for closing costs? Do you need a gift from a relative? Will you have a cushion left after your home purchase, or will you spend your last penny at closing?

4. **Collateral.** Will the lender be fully protected if you fail to repay the loan? Lenders want to be sure the property you are buying is sufficient to back up or secure your loan.

Once you have signed the loan application, you may be bound to accept the loan if it's offered or to pay the lender's processing costs if your application is rejected. Be sure the application states amounts and terms that are acceptable to you.

You may be required to pay an application fee at this time that should include the cost of the appraisal and credit report only (see below).

**What are the steps leading to approval of my loan?**

After you have had your loan interview and submitted a completed home loan application, the lender will review the application and decide whether or not your mortgage will be approved. You should be aware of these things connected with the processing of your loan.

**Estimate of closing costs.** Within three days after you have submitted your application for a home loan, the lender is required to provide you with an itemized estimate of the costs to settle (or close) the loan. This report is referred to as a **good faith estimate.** The lender must also give you a copy of the government publication, *A Home Buyer's Guide to Settlement Costs.* Read it!

**Property appraisal.** The lender is very interested in the home you plan to buy because it will serve as collateral for the mortgage and will arrange to have the property appraised. You will probably be charged for this services. A professional appraiser will determine the market value of the property. Lenders will only loan you a percentage (often 80 to 95 percent) of the value of the property. This is called the **loan-to-value ratio.** If the appraised value is less than the purchase price you have agreed upon, the amount that the lender is willing to loan you may be smaller than you expected. If this happens, you will have to come up with a larger down payment to cover the difference between the mortgage and the purchase price. However, if you have included an **appraisal contingency**
in your sales contract, you may be able to renegotiate the purchase price in the event of an unexpectedly low appraisal.

**Credit report.** Your financial situation and credit history indicate your ability and willingness to repay your home loan. The lender will order a credit report on you and any co-purchasers. The credit bureau's report will show how you have handled past debt and credit accounts such as car loans, charge accounts with stores, and any other purchases made on credit. It is not unusual for the lender to ask for a written explanation of any problems that appear on your credit report. Even one late payment on just one account may require explanation. Don't be alarmed by this request. Respond promptly with a truthful statement about whatever circumstances may have caused the late payment(s). If you have already seen your credit profile, you can rest assured there will be no surprises at this stage. If you have no traditional credit record, the lender may welcome your submission of documentation of timely rent or utility payments as evidence that you are a dependable credit risk. Again, it may be a good idea to ask for help from a nonprofit housing assistance group, especially if you want to build a nontraditional credit history. Refer to Chapter 5 for more information on obtaining, correcting, repairing and establishing a credit record.

**Verifications.** The lender will verify the information provided on the loan application. This may include contacting your employer, your bank, your landlord, and other individuals to make sure you correctly reported your to your income and employment history, assets (checking and savings accounts, etc.), and rent payment history.

**Approval of mortgage insurer.** If mortgage insurance is a requirement of the loan, the loan will also have to be approved by the mortgage insurer. If you are obtaining an FHA or VA loan, the loan must also meet FHA/VA standards.

**Speeding up the approval process.** Be sure to respond promptly to the lender's requests for information while your loan is being processed. It's also a good idea to call the lender occasionally to check on the status of your application. If necessary, you can then contact your employer or others who need to provide documents or other information that is needed for your loan to be approved.

**Commitment letter.** When your loan is approved, the lender will send you a commitment letter. This is the formal loan offer. It will state the following:
- the loan amount (the purchase price less the down payment),
- the term of the loan (number of years you have to repay the loan),
- the loan origination fee (a percentage of the loan amount),
• the points, the annual percentage rate, or APR (the actual finance charge taking into account all interest and other charges).

**Closing:** After your mortgage has been approved, the lender will issue funds to cover the purchase price of your home. Payment to the buyer and transfer of the property title to you will occur at the property closing. Remember, it is important to have an attorney who is representing you examine property closing documents before you sign them.
Once you've rented or bought a new home, you'll probably be anxious to move in. This may be a simple job that you can do with friends or relatives. If you are moving a long distance or have a lot of possessions to move, you may need to hire professional movers. In either case, moving to a new home is a good time to go through your belongings and get rid of things you don't really want. (How about a yard sale?) This will make packing easier and cut down on the number of things you will have to find room for in your new home. Whether you're moving down the block or across country, the keys to a successful move are good planning and organization!

What safety precautions should I take?

Here are some things you'll need to take care of so that you'll be safe in your new home.

☑ Emergency numbers: Find the location and jot down the phone numbers of the nearest hospital, the local police precinct, and the fire station. Does "911" serve as an all-purpose emergency number?

☑ Fire safety: An immediate precaution that you should take is fire prevention.

1. Smoke detectors: Make sure that smoke detectors are installed outside each bedroom door and in or near the living room. Check them periodically to ensure they still are in working order.
2. Fire extinguishers: Buy at least two fire extinguishers, and be sure they are easily accessible from the kitchen and from the main living area. For a larger house, place additional extinguishers in the garage, the basement, and on each floor.
3. Fire-prevention inspection tour: Many communities will send a fire inspector to your house upon request to help you identify fire hazards such as frayed
electrical cords, an overloaded electrical system, and clutter in the basement or attic. If this service is not available, do your own inspection tour.

☑ Theft prevention: It's a good idea to change the cylinders in all the door locks right away and have a new set of keys made. You have no way of knowing how many sets of keys there might be to the existing locks and who has them. Make sure that all doors and windows have locks.

☑ Important papers: Collect your important papers such deeds, birth and marriage certificates, and insurance policies and put them away in a safe place. You may want to rent a safe deposit box.

☑ Insurance coverage: You need to make sure that your insurance coverage is adequate to protect your property and belongings.

- Renters or tenants insurance: If you are renting your home, it's a good idea to purchase insurance that will cover your furnishings and other personal possessions in the event of a fire, flood, or theft.
- Home owner's insurance: If you purchased a home, you already will have bought home owner's insurance, as well as flood insurance if you are in a federally designated flood area, since these are required by lenders before closing. Your home owner's insurance policy may include an inflation rider, which automatically increases the coverage as the value of the property increases. If not, you should check each time you renew the policy to ensure that the replacement value specified by the insurance keeps up with the current market value of your house. Otherwise, in the event you have a claim, you risk not being reimbursed for the full amount of the damage.

How can I conserve utilities?

The high cost of electricity, heating, and cooling comes as a shock to many first time renters and home owners. After you receive a few utility bills you may be eager to evaluate where you can conserve energy. Some ways to start are to set your thermostat a little higher in the summer and a little lower in the winter, turn off heating and cooling if you're going to be out for a while, turn off lights when you leave a room or leave home, and make sure that faucets don't drip.

If you own your home, there are many low-cost ways to improve the energy efficiency that don't required specialized skills. These are some things to consider.
Do you need more insulation in your home?
Are there storm windows and storm doors all around?
Is weather stripping and caulking needed?
Would a heat pump make your heating system work more efficiently?
Is the attic properly ventilated?

This is not a one-time effort. You should make spring and fall inspection tours that include home maintenance procedures aimed at cutting your energy bills. Most utility companies also offer free “energy audits” designed to point out ways you can conserve energy in your home.

**What about repairs and maintenance?**

If you are a home owner you won't need many tools or much experience to do many basic home repairs yourself--and you'll find you can save literally hundreds of dollars a year! You may want to take advantage of a home repair course at your local community college or get a basic home maintenance book such as the *Reader's Digest Do-It-Yourself Manual*. You'll be pleased to discover that you don't need to hire a carpenter to replace a broken window pane or a plumber to fix a leaky faucet.

You can do a lot with just a few basic tools. Here's a list to get you started.

**Hammer**

**Straight-blade and Phillips screwdriver (or a combination screwdriver with interchangeable tips)**

**Slip-joint pliers**

**Hand saw**

**Wall scraper**

**Tape measure**

**Flashlight**

**Plunger (one that works for both sinks and toilets).**

Now that you're a home owner, you can't afford to sit back and wait for something to break before you fix it. Put together a *seasonal checklist*, and mark your calendar so you will remember to use it. In many cases, you can extend the life of things and avoid expensive repairs by doing routine maintenance.

Like most home owners, sooner or later you'll need to hire an expert for big repairs or improvements. Ask your neighbors about the local companies they've used and which ones they recommend.
What do I need to know about my new home and neighborhood?

You will find there are many things you must take responsibility for when you live in your own home. You need to learn enough about the major systems of the house to do routine maintenance and to know how to handle various emergencies. For example, do you know the location of the main cutoff valves for the water and gas supply, the thermostat for the hot water heater, the fuse or circuit breaker box, and the main electrical switch.

If you are purchasing a home, the easiest way of gathering this information about your new place is to take advantage of the experience of the former owner. To accomplish this, make an appointment for a house tour with the former owner. You can do this either before or shortly after the closing. You should be prepared with questions and a note pad, perhaps even a tape recorder. Bring along some sticky labels so you can label the switches and cutoff valves. Does the former owner know something of the history of the house; are there old photographs that you might get copied? Are there wiring diagrams or plans for renovations that were never carried out? Who supplies the fuel oil? What day is the garbage picked up? Try to get names and phone numbers of contractors and other professionals (electricians, plumbers, roofers, carpenters) who have worked on the house and find out what they did and when. If your new home is not on the city sewer system, find out where the septic tank is located and what precautions or maintenance the former owner recommends. What kinds of seasonal maintenance did the former owner do? If you're lucky, the owner will remember to tell you that the outside faucet will freeze if you don't drain it before winter! Be sure to find out where the cut-off valve is for any outdoor faucets. It's a good idea to set up a house file that includes all the warranties, owner's manuals, and other documents you obtained from the previous owner. Add to it, keeping records of repairs, routine maintenance, and improvements.

Finally, check out your new neighborhood and learn where stores, schools, banks, and other facilities are located. Make a point to introduce yourself and your family to your neighbors. Not only will you learn a lot about your new community, you may make some new friends!
WHERE TO LOOK FOR HOUSING ASSISTANCE!

Housing and Urban Development (HUD)
(904)232-1205
Jacksonville

Florida Housing Finance Agency
(904)488-4197
Tallahassee

State Initiatives Partnership (SHIP): down payment assistance
State Apartment Incentive Loans (SAIL): low income apartments

County and City Housing Offices

Community Development Corporations

Florida Housing Coalition (local chapter)

Nonprofit Housing Agencies

Local Banks: First Time Buyer & Affordable Home Mortgage Programs,
Freddie Mae & Fannie Mae Financing