Opening the Door to **Home Ownership**

Home Ownership Education Study Guide

The Housing Education Coalition of Utah (HECU) would like to thank the following agencies for assisting in the creation of this statewide curriculum:

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Neighborhood Nonprofit Housing Corporation

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Compiled by

USU Housing and Financial Counseling

McKenzie Walsh and Ellie Hansen

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Emma Eccles Jones College of Education & Human Services
Sorenson Legacy Foundation Center for Clinical Excellence
UtahStateUniversity

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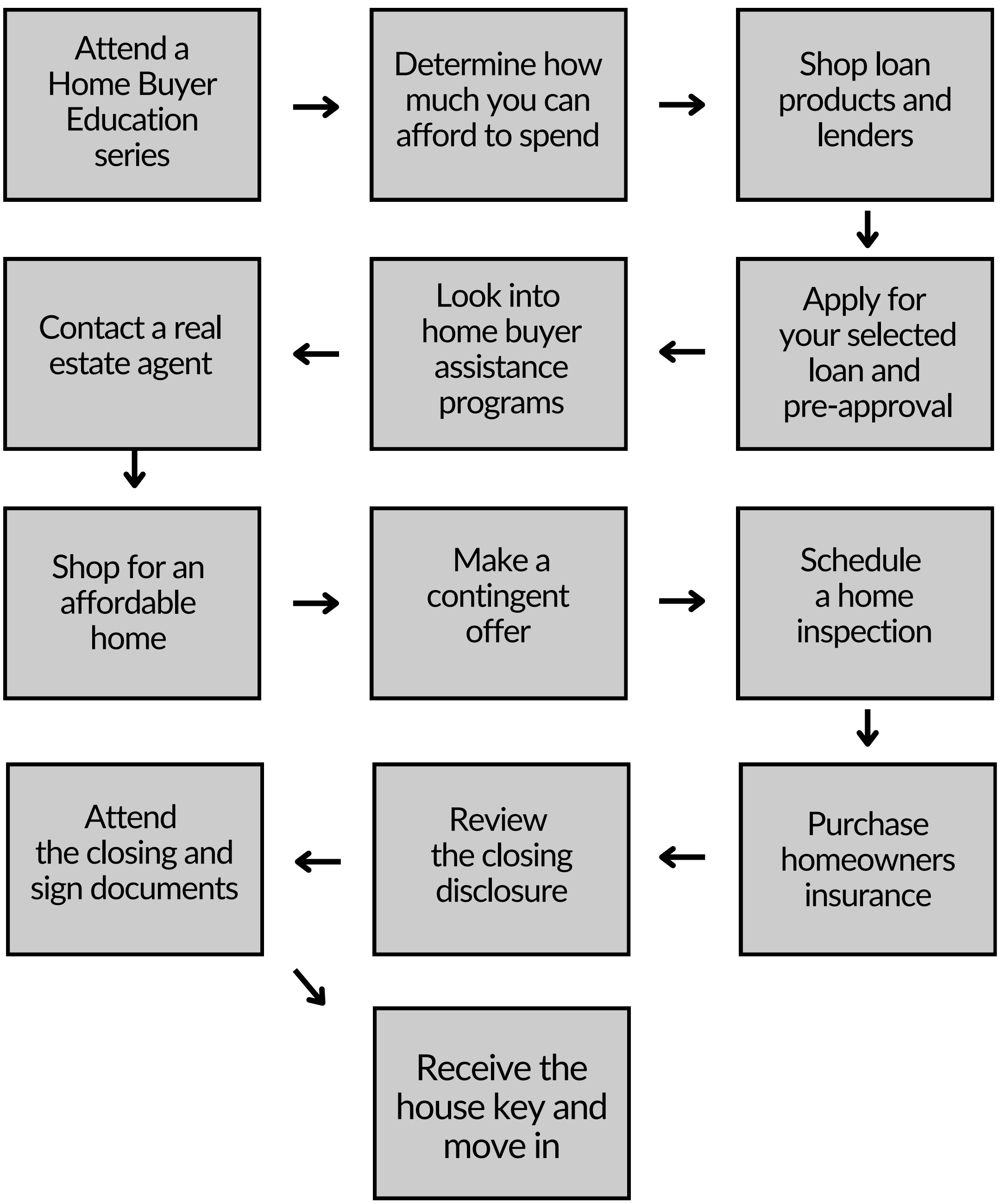
THE HOME BUYING PROCESS

Purchasing a home is an exciting, intimidating, confusing, and often overwhelming process. This course aims to provide the knowledge and tools to make the process easier and more enjoyable, helping you feel secure in your decision. A home is the largest purchase most people make and it is complex. We will start with the big picture so you can understand how each step fits into the overall home-buying process.

STEPS TO PURCHASING A HOME



HOME OWNERSHIP READINESS QUIZ

This quiz is an opportunity to discover the ways you could
bring yourself closer to security and comfort in homeownership.

	YES	NO
Do you plan stay in the same area for at least 3 to 5 years?		
Have you created a budget so you know how much you can comfortably pay for a house?		
Do you have an established credit history or records of payment to previous landlords and utility companies?		
Do you pay your bills on time, including your landlord?		
Do you have enough money saved for: Down Payment		
Closing Costs		
Emergency Fund		
Is your debt limiting your ability to qualify for a mortgage?		
Have you been pre-approved by a lender?		
Have you explored at least three different financing options?		
Have you decided on what home features are important to you (and your spouse)?		
Are you ready and willing to make the necessary sacrifices to get into a home?		
What are your top motivations for owning a home? Why is it important to you?		
From the topics above, what are some areas that you feel you could become more prepared in?		

ARE YOU READY TO BUY A HOME?

ADVANTAGES TO HOME OWNERSHIP

- Yard and garden space
- Potential for home to increase in value
- Tax advantages
- Privacy
- More room for family and friends
- No pet fees
- Stability and sense of pride in community
- May remodel or customize your home

DISADVANTAGES TO HOME OWNERSHIP

- Responsible for all maintenance and repairs
- Long-term financial commitment
- Down payment and closing costs
- Decreased mobility
- Potential for home to decrease in value
- Higher monthly housing cost
- Cost of property taxes and insurance
- More upkeep with repairs and maintenance

Section 1

PREPARING FINANCIALLY TO PURCHASE YOUR HOME

SMART GOALS

Setting financial goals gives your spending plan direction and focus.
(An example is included.)

S	**SPECIFIC** WHAT DO I WANT TO ACCOMPLISH?	Save $8,000 for closing costs and a down payment.
M	**MEASURABLE** HOW WILL I KNOW WHEN IT IS ACCOMPLISHED?	Save $333 a month for two years.
A	**ATTAINABLE** HOW CAN MY GOAL BE ACCOMPLISHED?	Eat out less often.
R	**RELEVANT** WHY IS THIS WORTHWHILE?	I no longer want a roommate.
T	**TIME BOUND** WHEN CAN I ACCOMPLISH MY GOAL?	In two years

BUDGETING

Budgeting is telling your money where to go, instead of wondering where it went.

Set SMART Goals

- S - Specific
- M - Measurable
- A - Achievable
- R - Relevant
- T - Time Bound

Gather Information

- Gather all of your financial documents.
- List income and all fixed expenses.
- Create a list of your creditors. (see p. 20)

Track Your Variable Expenses

- Look at where you spent your money in the past month.

Choose a Budgeting Method

- Computer spreadsheet
- Phone applications
- Envelope method

Tell Your Money Where to Go

- Set a monetary limit for each spending category.
- Apply the step-down principle. (see p. 13)

Implement Your Budget

- Use your budget every month.

Evaluate Your Budget

- Budgeting is a on-going process, not a one-time event.

BUDGETING METHODS

Spreadsheet or Computer

If you prefer working on a computer or with pen and paper, the Spreadsheet budgeting method might suit you. The packet you received includes a worksheet called "Monthly Spending Planner." It has pre-determined categories for building your budget.

For a customized budget, an Excel spreadsheet allows you to create and format your own categories. You should ensure that your system includes categories, planned amounts, and actual spending. If creating your own spreadsheet seems too difficult or time-consuming, you can download free pre-made budget sheets from the internet.

Envelopes

If you prefer to use cash, are more careful with your spending when using cash, or have trouble writing down all your purchases, the envelope method may be very helpful for you. It is usually more effective if used along with another method since envelopes are really only effective with variable expenses.

Start by designating each envelope for a specific expense category such as food, clothing, gas, or entertainment. Then decide how much to allocate to each category and put that amount in the corresponding envelope. Once the money in an envelope is gone, stop spending in that category.

Budgeting Apps

PocketGuard: This app helps you avoid overspending by tracking your income, recurring bills, everyday expenses, and savings deposits. It monitors recurring bills from services like phone, TV, and internet, helping you find better deals to reduce costs. While basic budgeting tools are free, premium users get unlimited access for a fee: $7.99/month, $34.99/year, or $79.99/lifetime.

GoodBudget: This app is based on the envelope system where you divide your monthly income into specific spending categories. You can access the same account with multiple devices, so partners and family members can share a budget. GoodBudget doesn't have you sync bank accounts. You manually add account balances, cash amounts, and debts. With income entered, you assign money toward spending categories, which are called envelopes. The free version allows one account, two devices, and limited envelopes. The Plus version, which is $8 per month or $70 annually, offers unlimited envelopes and accounts, up to five devices, and other perks.

EveryDollar: This budgeting app helps you track your spending and plan for purchases. With the free version of the app, you can create a transaction every time you spend money. To make your experience smoother, upgrading to EveryDollar Plus (billed $12.99/month or $79.99/year) allows you to connect your bank account and expenses.

VARIABLE EXPENSES WORKSHEET

This worksheet is for variable expenses, such as gasoline, groceries, and entertainment.
Fixed expenses, such as rent and car payments, do not need to be included here.

DATE	AMOUNT	WHERE	CATEGORY

CATEGORIES

Allowances
Beverages (soda, coffee, alcohol)
Barber/Beauty Shop
Cleaning Supplies
Childcare
Clothing
Doctor
Donations

Dentist
Eating Out
Emergency Savings
Entertainment/Movies
Gasoline
Groceries
Home Maintenance/Furnishings
Lawn Care

Pet Care
Prescriptions
Retirement Savings
Revolving Savings
Savings
School Lunches
Tobacco Products
Toiletries

MONTHLY SPENDING PLAN

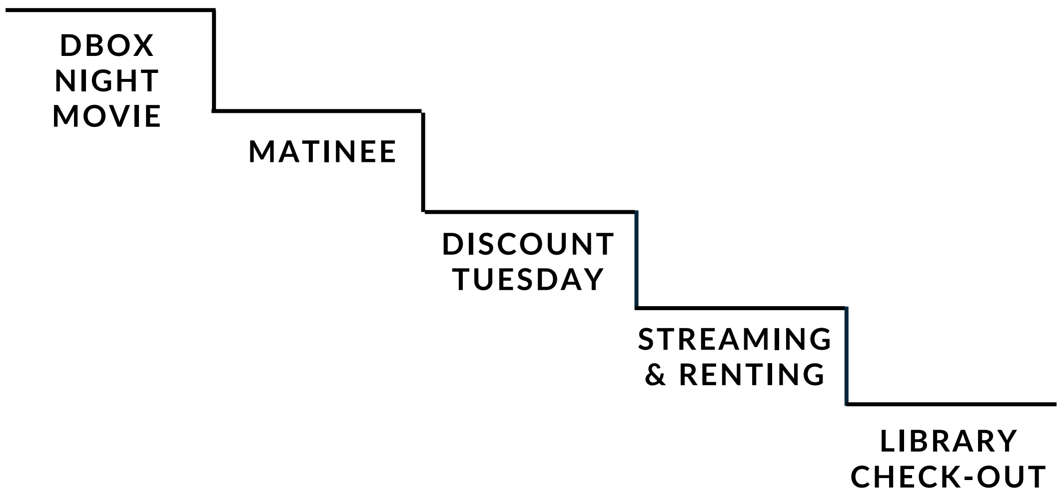
Housing		
	Pre-Purchase	**Post-Purchase**
Rent or Mortgage		
Heat		
Electricity		
Water, sewer, trash		
Cellphone		
Internet		
Home Mainteance		
Lawn Care		
Insurance (home or rent)		
Transportation		
Gas		
Car Payment		
Car Payment		
Insurance		
Food and Drink		
Groceries		
Eating Out		
Beverages		
School/Work Lunches		
Insurance		
Health		
Life		
Medical		
Doctor		
Dental		
Prescriptions		
Childcare		
Childcare/Babysitter		
Child Support		
Total		

Clothing		
	Pre-Purchase	**Post-Purchase**
Clothing		
Laundry/Dry Cleaning		
Donations		
Religious or Charity		
Savings		
Revolving		
Emergency		
Long Term Savings		
Retirement		
Personal		
Hair Care		
Toiletries		
Allowances		
Tobacco products		
Entertainment		
Streaming Services		
Subscriptions		
Fitness		
Memberships		
Hobbies & Sports		
School		
Tuitition		
Books		
Debt		
Student Loan		
Medical Bills		
Credit Card		
Other		
Total		

BUDGET TOTALS	**PRE-PURCHASE**	**POST-PURCHASE**
Total Monthly Income		
Total Monthly Expenses		
LEFTOVER		

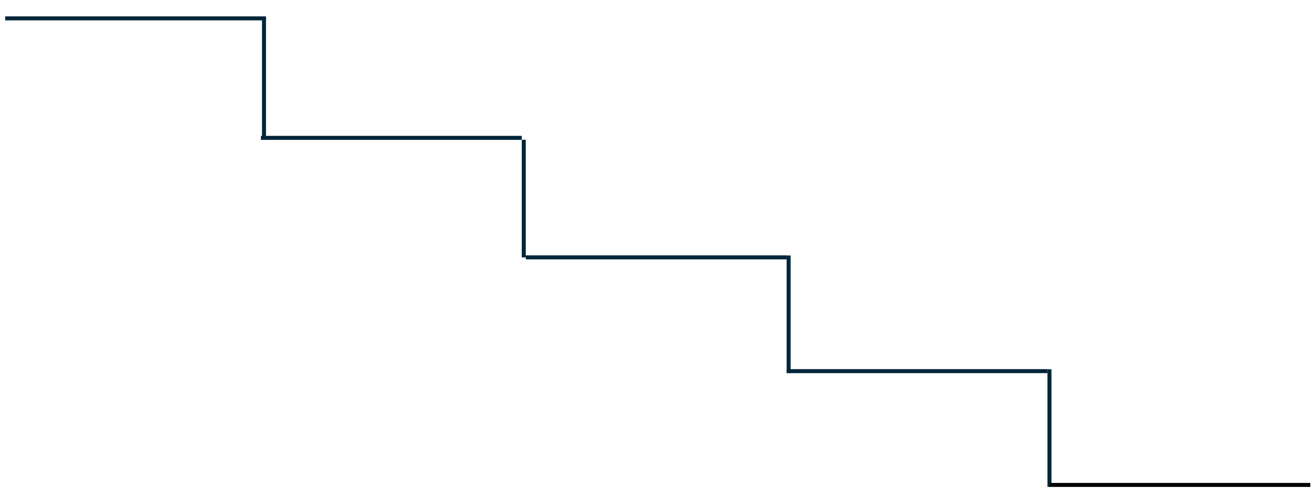
STEP-DOWN PRINCIPLE

The Step-Down Principle is a simple tool for reducing expenses. The purpose is to take a step down from your typical purchasing habits. This principle can be applied to many expense areas, such as clothing, food, entertainment, school supplies, or hygiene items. An example of the Step-Down Principle (with a focus on entertainment) is shown here:



Take baby steps when applying the Step-Down Principle. It is not recommended to take more than a couple steps down at one time. The more drastic the change in spending habits, the less likely that you will be willing and able to stick to the new plan.

Practice: Apply the Step-Down Principle to a category of your choice.



Adapted from Alena Johnson, HDFS Lecturer, USU

WHAT MAKES A BUDGET SUCCESSFUL?

- TRACK ALL SPENDING
- IN LINE WITH GOALS, PRIORITIES, AND VALUES
- MAINTAIN A POSITIVE ATTITUDE AND STAY FOCUSED
- COMMUNICATE WITH FAMILY AND SPOUSE
- PAY YOURSELF FIRST
- USE A SYSTEM THAT WORKS FOR YOU

WAYS TO MAKE MONEY MANAGEMENT EASIER

- DECIDE WHO PAYS BILLS AND WHEN
- KNOW WHEN BILLS ARE DUE; CONSIDER USING A CALENDAR
- AUTOMATE YOUR SAVINGS
- ASK YOUR UTILITY COMPANIES ABOUT LEVEL BILLING PAYMENTS
- STICK TO YOUR SPENDING PLAN

WAYS TO CONTROL YOUR DAY-TO-DAY SPENDING

- PRIORITIZE NEEDS BEFORE WANTS
- DON'T SHOP JUST FOR SOMETHING TO DO
- CREATE A VISION BOARD AND PLACE IT WHERE YOU WILL SEE IT EVERY DAY
- AVOID USING YOUR CREDIT CARD
- SET UP TRANSACTION NOTIFICATIONS WITH YOUR BANK OR CREDIT UNION

QUESTIONS TO ASK ABOUT YOUR BUDGET

- WHAT ARE THE BIGGEST ITEMS IN MY BUDGET?
- HOW MUCH AM I SAVING EACH MONTH?
- HOW COULD I SAVE MORE MONEY?
- WHAT EXPENSES COULD I CUT OR REDUCE?
- HOW DO I EXPECT MY FINANCES TO CHANGE NEXT YEAR?

Source: NeighborWorks America, Realizing the American Dream

SAVING SMART

Three Primary Types of Savings

Revolving Savings

These funds are for expected irregular expenses like car insurance, registration, taxes, back-to-school costs, Christmas, birthdays, and vacations (see example below).

Emergency Savings

These funds should equal three to six months of household expenses to cover unexpected costs like illness, car repairs, and temporary unemployment.

Long-Term Savings

These funds are for future needs like home purchase, weddings, education, and retirement.

Saving Tips

- Pay yourself first! Prioritize savings at the start of your budget. By depositing money into savings first, it won't be missed. Use direct withdrawals or allocate a portion of income to savings or retirement accounts to streamline the process.
- Set a goal today for each type of savings and write them down. As an incentive to stick to a spending plan, many people write their goals directly on their budget. Remember to make goals achievable and specific.
- A large amount of money is NOT required to start saving. Begin with small savings, even just $10 per month, and gradually increase the amount.
- Start gradually with your expense information in the revolving savings chart. Entering everything at once can be overwhelming. Take small steps and build up to saving the required amount.

Example of Revolving Savings													
ITEM	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Birthdays		30		30				60		30			150
Christmas											300	200	500
Car Registration		100											100
Car Insurance			250					250					500
Oil Changes	25			25			25			25			100
Kids Sports Teams				50		50			75				175
Back to School								500					500
Vacation			300										300
TOTAL FOR YEAR													$2,325
Divide by 12 to see the monthly amount to save													$193.75

Take the annual total $2,325 and divide it by 12 to get the monthly amount of $193.75. Set this aside in a revolving savings account for use throughout the year. Initial extra deposits or larger monthly savings will be needed to build up this account.

REVOLVING SAVINGS

Irregular expenses occur only once or twice a year, making it easy to forget about them and not have money set aside. To plan, list when auto insurance, birthdays, school expenses, trips, and other irregular expenses are likely to occur, along with your best estimate of the costs.

Revolving Savings Example

ITEM	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
TOTAL FOR YEAR													
Divide by 12 to see the monthly amount to save													

Divide the annual total by the number of times you plan to save for irregular expenses. For monthly savings, divide by 12. In the first year, look for extra funds like tax refunds, overtime, or bonuses to build up this fund. If no extra money is available, allocate a larger portion each time to cover both current and future irregular expense.

LONG-TERM SAVING

Example:		**Goal:**
Potential mortgage payment	$1,500	I will save $500 a month in a savings account for 12 months to prepare for my home purchase. This will give me $6,000 to use for purchasing a home.
Current rent payment	$1,000	
Difference	$500	

		Goal:
Potential mortgage payment	$	I will save $_________ a month in a savings account for _________ months to prepare for my home purchase. This will give me $_________ to use for purchasing a home.
Current rent payment	$	
Difference	$	

Play house: Track your savings progress. Cross off a house and write the amount saved each month. Keep a grand total of what has been saved. Place this money in a savings account so the funds will be ready when it's time to purchase.

$______ Saved $______ Total	$______ Saved $______ Total	$______ Saved $______ Total	$______ Saved $______ Total
$______ Saved $______ Total	$______ Saved $______ Total	$______ Saved $______ Total	$______ Saved $______ Total
$______ Saved $______ Total	$______ Saved $______ Total	$______ Saved $______ Total	$______ Saved $______ Total
$______ Saved $______ Total	$______ Saved $______ Total	$______ Saved $______ Total	$______ Saved $______ Total
$______ Saved $______ Total	$______ Saved $______ Total	$______ Saved $______ Total	$______ Saved $______ Total

YOUR CREDIT REPORT

What is a credit report?
A credit report summarizes borrowing and debt repayment history. Credit bureaus collect data from creditors on consumer bill payments. Companies check credit reports when consumers apply for credit cards or loans. Ongoing loan statuses are reported to the three main credit bureaus: Experian, Equifax, and TransUnion. By law, consumers can review and correct their credit reports and order a free copy once a week to check for errors.

What is included on a credit report?

- **Identifying information:** Includes name, previous names, current and past addresses, year of birth, Social Security number, employment history, etc.

- **Public records:** This includes records such as bankruptcies, judgments, tax liens, and collection accounts. In some states, items such as overdue child support are also reported. Bankruptcies can remain on a credit report for 7 to 10 years. Unpaid tax liens can remain on a credit report for up to 10 years. Other public records can remain on a credit report for seven years.

- **Credit histories:** Lists creditors, account numbers, credit limits, account open dates, balances, monthly payment amounts, payment history of on-time or late payments, and joint account status.

- **Credit inquiries:** Records every time a creditor checks a consumer's credit. This information interests creditors because it reveals the consumer's recent credit activity. Multiple inquiries of the same type within a 30- to 45-day period count as one inquiry for FICO scoring. Inquiries that the consumer makes, such as checking their own credit, will not negatively impact his or her credit score.

- **Consumer statement:** If a dispute is not resolved to the consumer's satisfaction, the consumer may write a 100-word statement to dispute inaccurate records. The consumer may also write a statement that will be placed in their permanent file at the credit bureau. Temporary dispute statements may be added by creditors during the challenge and removed once the dispute is resolved.

How to Access a Credit Report
The Fair and Accurate Credit Transactions Act (FACTA) enables consumers to access their credit report. Annual Credit Report offers **weekly** reports from the three main credit bureaus. These reports are free but do not include a credit score; scores can be bought for a small fee. Request forms are available at **www.annualcreditreport.com**, and can be ordered via mail, phone, or internet. It is crucial for consumers to review their reports and correct any errors to avoid denial of credit, employment, housing, or insurance.

Ensure correct entry of the website URL when requesting a free report to safeguard confidential information.

Note: When a consumer is denied due to information in their credit report, the company that denied them must provide specific details, usually in an adverse action notice. The notice should mention the credit bureau from which the credit report agency used and how to contact them. The notice must indicate that the consumer has 60 days to order a free credit report from that credit bureau.

Scan the QR code for access to your free weekly credit report. *Note: This report will not give you access to your credit score.*

Correct Any Mistakes on a Credit Report
It is important for consumers to examine their credit report carefully. Federal law allows consumers to challenge inaccuracies and update their files of outdated or incorrect information.

- **Negative information:** Negative credit items like late payments, delinquent accounts, and repossessions typically remain on your credit report for up to seven years. Bankruptcy can remain on your report for up to ten years. Consumers can request removal of outdated information.
- **Inaccurate reporting by creditors:** Errors may occur, such as a creditor reporting a late payment incorrectly. Resolve the error directly with the creditor, then request the creditor to inform each credit bureau about the correction. Ensure the correction is made by reordering a credit report.
- **Information about another person:** If information about someone with a similar name appears on your credit report, request the credit bureau to investigate and rectify any incorrect information.

CREDITOR LIST

Creditor	Balance	Minimum Monthly Payment	Interest Rate	Due Date
Totals				

CREDIT SCORE

What Is a Credit Score?

A credit score, which ranges from 300 to 850, summarizes your credit history. The scoring system is designed to predict the likelihood of responsible repayment on future obligations. Lenders use these scores to assess the risk of loan repayment. Factors affecting credit scores include account types and age, total debt, recent inquires, and the number and severity of late payments.

Access a Free Credit Score

You can get your Experian credit score free of charge by signing up for an Experian account. Your score will be updated every 30 days if you log in. You can check your credit score as often as you like. Checking it won't impact it.

Note: You can access a credit score free of charge from several third-party vendors. This is a FICO score, not a VantageScore.

Stop Unwanted Credit Solicitation

- To opt out of pre-approved credit card offers, call 1-888-567-8688 or visit www.optoutprescreen.com.
- To reduce telemarketing calls, call 1-888-382-1222, or visit www.donotcall.gov.
- For additional strategies to cut down on unwanted solicitations, visit www.privacyrights.org.

Improve Your Credit Rating

You can improve your credit rating by paying your bills on time and by paying at least the minimum amount each month. There is no quick fix for a low credit rating. The best time to begin improving a credit rating is now.

Beware of credit repair scams that claim to fix bad credit such as: "Bad Credit? No Credit? No Problem!" Companies cannot remove accurate information from a credit report and may charge for services they can't provide. For help repaying creditors, managing debt, or creating a budget, contact a nonprofit organization that provides free or low-cost assistance. To locate a local HUD approved counseling agency, go to www.hud.gov and click on resources, then HUD Approved Housing Counseling Agencies.

5 COMPONENTS OF CREDIT SCORING

All factors are weighed by date, frequency, and severity.

35% Payment History

Whether your payments are on time or late. Includes: bankruptcies, judgments, charge offs, collections, unpaid taxes, and other liens. The past two years are weighed heavier than more distant years.

30% Amount Owed

Credit Utilization: This term describes how much of your credit limits you are using. It is good to use less than 30% of your credit limits. Lower is better.

15% Length of Credit History

The longer time your credit has been established and the better is managed, the better your score. Long-term credit card accounts and loans also improve your score.

10% Type of Credit

A wide variety of account types is best.

10% New Credit

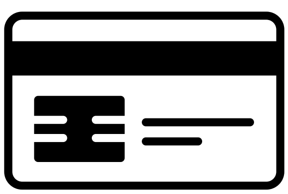
A flurry of new activity is considered an indication of looming financial difficulty. When credit is pulled, any inquiries within the last 15-30 days classified as auto loans, real-estate loans, or student loans will be grouped together and will show as one hit per group so as to have a lesser effect on your credit score.

Adapted from Neighborhood Reinvestment Training 2004, Experian 2004 and Fair Isaacs and thismatter.com/money; money.cnn.com ("6 Ways to Kill Your Credit Score")

HOW TO IMPROVE YOUR CREDIT SCORE

Pay your bills on time.

Payment history is the most crucial factor in determining your credit score. Recent history carries more weight, so developing a habit of making on-time payments is essential for rebuilding your credit. Experts recommend that you pay your mortgage first.



Pay down your debt and consider charging less.

Lenders prefer a significant gap between the amount of debt reported on your credit cards and your total credit limits. The more debt you pay off, the wider that gap and the better your credit score. Even if you pay your balance in full every month, your high balance for the month is reported to the credit bureau. So charging less, even if you pay your balance in full monthly, can also improve your score.

Do not close old, paid-off accounts.

Closing credit accounts lowers the total credit available to you, making existing balances appear larger in credit utilization calculations. Closing your oldest accounts can shorten your credit history, making you seem less credit-worthy. If you rarely use your cards and have a high score, closing newer unused accounts will cause minimal damage and may provide peace of mind.

Source: "Beef Up Your Credit Score in 5 Steps,"
Executive Reporting Services, A First American Company

CREDIT CRUNCH SELF EVALUATION

Look at the following warning signs about debt load. These signals can help you determine if you are controlling your debts or if your debts are controlling you. Answer the following questions with a “yes” or “no.” Then, add up the totals for each column to see how well you are managing your debts.

	Yes	No
Does your monthly creditor debt (excluding your house payment) exceed 20% of your take-home pay?		
Have you started to delay making debt payments that you once paid promptly?		
Are you near, at, or over the limit on your lines of credit?		
Do you often pay late penalties on payments?		
Do you often worry that credit card transactions will be declined?		
Are you using cash advances or visiting payday lenders to pay your monthly bills?		
Do you put off medical and dentist visits because you can’t afford them?		
Do you rely on overtime work to pay monthly bills and living expenses?		
Are your creditors closing your revolving charge accounts?		
Do you frequently worry about money?		
Would it take more than two years to pay off all outstanding debts (excluding your housing payments)?		
Do you pay only your minimum monthly payments or less?		
Have you stopped putting money in a savings account on a regular basis?		
Are this month’s credit balances larger than they were last month?		
Do you make payments on credit cards every month but find that your bills never go down?		
Have you canceled auto, medical, or life insurance to make ends meet?		
Are you borrowing money to pay for regular household expenses such as rent, food, clothing, gas, or insurance?		
Are you afraid to add up the total amount of debt you owe?		
Total		

Adapted from Neighborworks America Financial Fitness Course handouts.

NOTES

Section 2

HOUSING SUSTAINABILITY

WHAT'S IN A MORTGAGE PAYMENT?

A house payment is more than just your loan payment. Most loans require that you pay your property taxes, homeowners insurance, and mortgage insurance in monthly installments along with the loan portion of your payment. The parts that make up a house payment are commonly referred to as PITIA. Listed below are the components of a house payment:

P

PRINCIPAL

The portion of your payment that goes to paying down the balance on your loan.

I

INTEREST

The cost of borrowing the money.

T

TAXES

Property taxes are due once a year. Most loans require that you pay your property taxes monthly into an escrow account, which is then used to pay your property taxes when they are due.

I

INSURANCE

Homeowners insurance is usually paid into an escrow account then paid when it is due. This portion of your house payment could also include Private Mortgage Insurance (PMI), which is required at the beginning of loans with less than a 20% down payment.

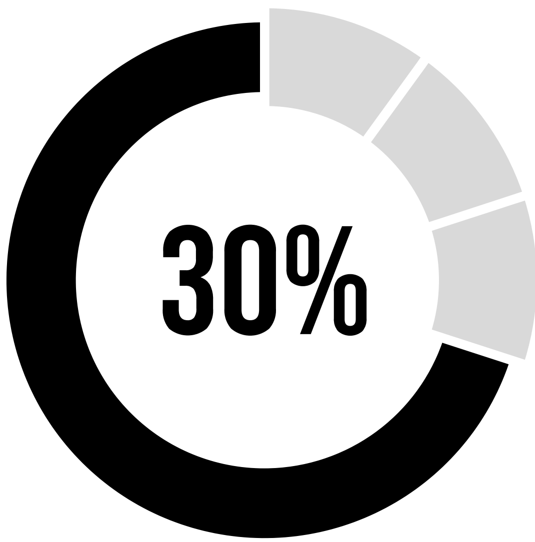
A

ASSOCIATION DUES

Condo, CO-OP, and HOA fees are often paid directly to the Home Owners Association and are not included in the mortgage payment. Fees can vary by location. Be sure to factor the cost into your mortgage affordability.

QUALIFYING RATIOS

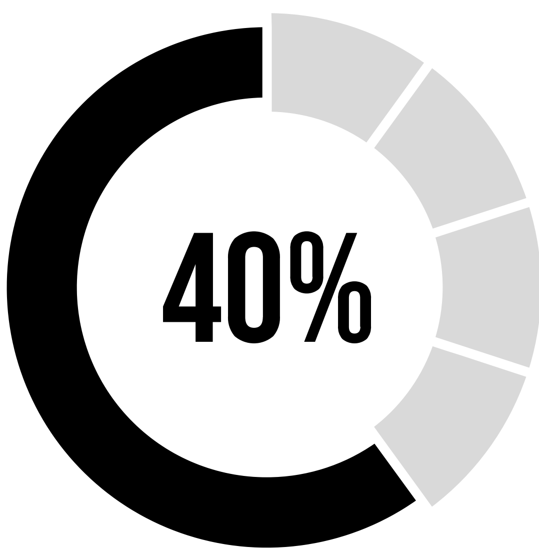
When a lender looks at your loan application, they look at what you earn, how much debt you currently have, and how much additional debt you want to take on with a new house payment. They will determine how large of a loan amount you will qualify for with qualifying ratios, called the housing ratio and the debt-to-income ratio.



HOUSING RATIO

FRONT END RATIO

The Housing Ratio (font end ratio) calculates how much of your gross monthly income will be taken up by your house payment. Every lender and every loan has different limits on how high this ratio can be but it is usually no more than 30%, meaning no more than 30% of your before-tax income should go to your house payment.



DEBT-TO-INCOME RATIO

BACK END RATIO

The Debt-to-Income Ratio (back end ratio) calculates how much of your gross monthly income will be taken up by your house payment plus all your other debt payments. Every lender and every loan has different limits but its usually around 40%. So, no more than 40% of your before-tax income should go to your house payment plus all your other debt payments.

It is important to apply an estimated house payment to your monthly budget to make sure you can really afford to make that payment, not just take the word of the lender.

MORTGAGE SUSTAINABILITY WORKSHEET

This worksheet will help you calculate the amount of mortgage payment you can afford with your current income and debt burden. See page 30 for detailed instructions.

Example*

	Example	
(1) Gross Monthly Income (A, reverse side)	$5,500	(1) $ ________
(2) Total Gross Monthly Income x _______% (Housing ratio)	$1,705	(2) $ ________
(3) Total Gross Monthly Income x _______% (Debt-to-Income ratio)	$2,365	(3) $ ________
(4) Total Monthly Debt Payment (B, reverse side)	$400	(4) $ ________
(5) Subtract Line (4) from Line (3)	$1,965	(5) $ ________

Maximum Mortgage Loan Payment Allowed (PITI) (6)
Enter whichever is less, Line (2) or Line (5)

$1,705 (6) $ ________

Escrow**

(7) Multiply Line (6) by 20% (estimated taxes and insurance*)	$341	(7) $ ________

****Private mortgage insurance and Home Owner Association fees may not be included when calculating taxes and insurance.**

(8) Subtract Line (7) from Line (6) (maximum principal and interest payment allowed)	$1,364	(8) $ ________
(9) Divide Line (8) by _________ factor from table C (reverse side)	$215.48	(9) $ ________

Maximum Mortgage Loan Amount (10) Multiply Line (9) by $1,000

$215,480 (10) $ ________

If you have chosen a loan product complete the following:

Down Payment

(11) Multiply line (10) by _____% required for a down payment (3.5%)	$7,542	(11) $ ________

Maximum Purchase Price (Price of the home) (12) Add line 10 and Line 11

$223,022 (12) $ ________

Closing Costs

(13) Closing Costs - Multiply line (10) by 3%	$6,464	(13) $ ________

***The example uses a monthly income of $5,500, ratios of 31/43, a monthly debt payment of $400 for a 30 year loan with a 6.5% interest rate and a LTV of 96.5`%.**

(A) Calculate Gross Monthly Income

Hourly	$ ___________ X ___________ X 52 weeks / 12 month	= $ ___________
Weekly:	$ ___________ X 52 weeks / 12 months	= $ ___________
Biweekly	$ ___________ X 26 weeks / 12 months	= $ ___________
Twice a month	$ ___________ X 2	= $ ___________
Once a month	$ ___________	= $ ___________
Irregularly	$_ __________ / 12 months	= $ ___________

C) Interest Factor Table

Monthly payment (principal and interest only) for each $1,000 of a mortgage loan

Interest Rate	15 Year Loan	20 Year Loan	30 Year Loan
1.00	5.98	4.59	3.21
1.50	6.20	4.82	3.45
2.00	6.43	5.03	3.69
2.50	6.66	5.29	3.95
3.00	6.90	5.54	4.21
3.50	7.14	5.79	4.49
4.00	7.39	6.05	4.77
4.50	7.64	6.32	5.06
5.00	7.91	6.60	5.37
5.50	8.18	6.88	5.68
6.00	8.44	7.17	6.00
6.50	8.72	7.46	6.33
7.00	8.99	7.76	6.66
7.50	9.28	8.06	7.00
8.00	9.56	8.37	7.34
8.50	9.85	8.68	7.69
9.00	10.14	8.99	8.04

Source: McGraw Hill's Interest Amortization Tables, Second Edition, 1993

B) Monthly Consumer Debt Payments
(Installment debts with 10+ months remaining)

$________________________ Auto Loans
$________________________Credit Cards
$________________________Student loans (even if in deferment
$________________________Medical Debt
$________________________ Child Support & Alimony
$________________________Other loans
$________________________Total Debt

(*Although lenders do not include family loans or charitable contributions these items should be considered when calculating monthly debt payments.)

Mortgage Information

Mortgage Type	Ratios	Mortgage Insurance Premium (30 year term)	Loan-to-Value
FHA	31/43	1.75% upfront, 0.8-1.05% annual	96.5%
Utah Housing	31/43	1.5% upfront .05 annually/monthly	97%
USDA	29/41	1% guarantee fee .35% annually	100%
VA	41	1.4-3.6% funding fee	100%
Conventional	28/36 *back-end ratio can increase to 45% *may vary	Varies by lender. Rates typically range from 0.5% - 1.5% of the total loan amount.	Varies by lender

TOP 10 MISTKAES OF

FIRST-TIME HOME BUYERS

1 Not Becoming Educated Before Beginning the Buying Process

Attend a HUD-approved home ownership education class or participate in one online.

2 Not Knowing What Homes Are Affordable

Assess your financial assets before purchasing a home.

3 Failing to Consider Additional Expenses

Do you have money saved for earnest money, down payment, closing costs, inspections, appraisals, and moving expenses?

4 Looking at Homes that Are Outside the Buyer's Budget

Only look at homes that meet your goals and needs. If you spend less, you have more choices, if you spend at the top of your budget you have no other choice and could be house poor.

5 Not Hiring a Real Estate Agent

A buyers agent has better access to a variety of properties, saves time by preparing the paperwork and contracts, and help negotiate the price or if problems arise.

6 Buying in a Neighborhood the Buyer Knows Nothing About

What is the home's proximity to schools, stores, and public services? What is crime rate in the area?

7 Failing to Have a Professional Inspection

Hire a professional home inspector to do your inspection.

8 Choosing the Wrong Mortgage

Learn the facts and shop around for the right mortgage by comparing at least 3 different lenders.

9 Taking on New Debt Before Closing

Applying for another credit card, buying a car, or owning a loan will change your credit score and make you less qualified for a mortgage.

10 Failing to Look for Grants and Loan Assistance

Lenders and area housing agencies often have first-time homebuyer grants and low interest rates that lower income households may qualify for.

HOUSING NEEDS INVENTORY

Complete an inventory of your housing needs, assess your lifestyle, and consider how home ownership will enhance your life.

Feature	Must Have	Would be nice	Can live without	Do not want
Nearby park, swimming pool, or recreation facilities				
Good schools				
Yard with established landscaping				
Close to my employer				
Nearby public transportation				
Community events and opportunities to be involved in				
Garage or carport				
More than 3 bedrooms				
More than 2 bathrooms				
Fenced yard				
Storage space				
Energy Star efficient				
Low maintenance yard				
Plenty of space to entertain friends or family				
Recent updates or remodeling. (new flooring, paint, cabinets, lighting, etc.)				
Main level laundry				

NOTES

Section 3

CHOOSING YOUR HOME-BUYING TEAM

CHOOSING A STRONG HOME-BUYING TEAM

Mortgage Lender: Use this table to keep a record of referrals and the information you receive.

Questions to Ask a Potential Lender:

- What type of loan do you recommend in my situation?
- What is the annual percentage rate (APR)?
- What is the down payment and closing cost requirement on this loan?
- When will you lock in the interest rate?

Mortgage Lender	Contact Information	Date Contacted	Conversation Notes

Real Estate Agent: Use this table to keep a record of referrals and the information you receive.

Questions to Ask a Potential Real Estate Agent:

- How long have you been an agent?
- How do you stand out in the quality of service that you provide to your clients?
- How many buying clients do you currently have?
- How do you help buyers compete in this market?

Real Estate Agent	Contact Information	Date Contacted	Conversation Notes

PROSPECTIVE AGENT WORKSHEET

Buying a Home Without a Real Estate Professional
It is possible to buy a home without the help of a real estate professional, but your choices of homes may be limited. Since most homes are listed with an agent, you would primarily be choosing from homes that are For Sale by Owner (FSBO). If you decide to purchase without professional assistance, consider hiring a real estate attorney to review and prepare your documents. Additionally, you will want to get an independent appraisal to ensure the house is worth the asking price.

Finding an Agent
Start by asking friends, family, or trusted professionals for recommendations based on their positive experiences. If you are moving to a new city, there are services that match buyers with agents. You can also visit a local broker's office where the principal broker can recommend someone suitable. Always interview more than one agent to find the best fit for your needs. You can verify his or her professional record by contacting the real estate commission or a local Association of Realtors.

	Option 1	Option 2	Option 3
Agent Name			
Company Name			
Phone Number			
Years of full-time real estate experience.			
Well informed about target community?	Yes / No	Yes / No	Yes / No
Did the agent address my concerns?	Yes / No	Yes / No	Yes / No
Would I feel comfortable working with him or her?	Yes / No	Yes / No	Yes / No
References			
Notes			

WORKING WITH A REAL ESTATE AGENT

A crucial member of your homebuying team is a real estate agent or realtor. He or she will help you find a home that meets your needs and budget. The realtor will also ensure that all necessary documents are properly and promptly submitted. The best way to choose a real estate professional is through recommendations from friends, family, and trusted professionals.

THE DIFFERENCE BETWEEN A REAL ESTATE AGENT AND A REALTOR

Real Estate Agent: A state-licensed professional trained to assist in buying, selling, or renting houses, buildings, and land.

Realtor: A licensed real estate agent who is a member of the National Association of Realtors (NAR) and adheres to its code of ethics. Hiring a realtor provides additional protection and peace of mind, though not necessarily a higher level of service compared to a real estate agent.

Both realtors and real estate agents typically work under a real estate broker, who is licensed to own and operate a real estate agency.

TYPES OF AGENTS AND HOW THEY ARE PAID

In most real estate transactions, there are two agents involved: a seller's agent and a buyer's agent.

Seller's Agent (Listing Agent): Represents the seller, markets the property, and negotiates offers to get the best terms for the seller. The listing agent is paid by the seller from the sale proceeds, which is usually a percentage of the purchase price.

Buyer's Agent: Represents the buyer, shows homes that meet the buyer's criteria, and negotiates purchase agreements. The buyer signs a buyer-broker agreement specifying terms and payment, typically splitting the sales commission with the listing agent.

Dual Agents: Represents both the buyer and the seller in the same transaction, with consent from both parties.

WHAT YOUR REAL ESTATE PROFESSIONAL SHOULD DO FOR YOU

- Discuss your housing preferences
- Provide neighborhood information
- Recommend lenders for pre-qualification or pre-approval
- Research homes in your price range
- Provide listing details of suitable homes
- Show you homes of interest
- Provide information on comparable recent sales
- Help prepare a protective and appealing purchase offer
- Negotiate the best price for you
- Refer you to appraisers, inspectors, and title companies

REAL ESTATE TERMS AND DEFINITIONS

Buyer Broker Agreement: A contract where a buyer or seller hires a real estate professional, detailing the terms and payment for his or her services.

Real Estate Purchase Contract: An offer to buy a property, proposing a price and conditions. Often contingent on inspection, appraisal, clear title, and loan approval. The seller can accept, counter, or reject it.

Seller's Property Condition Disclosure: A document revealing known faults and conditions of the home. It is provided to the buyer within a specified period after an offer is accepted.

Buyer Due Diligence Checklist: A list that buyers review and sign by a specific date, confirming they have examined all the home information and conducted their own research.

Contingencies: Conditions that must be met before completing the purchase. If not resolved, the sale is canceled, and the buyer's earnest money is refunded. Common contingencies include financing, appraisal, sale of the buyer's current home, clear title, and home inspection.

Earnest Money: A deposit (usually less than 3% of the purchase price) showing the buyer's good faith in the purchase agreement.

Counter Offers: Revisions proposed by the seller or buyer after an initial offer. Both parties can counter until an agreement is reached.

Final Walkthrough: Conducted within 7 days before closing, allowing the buyer to ensure the home is in the agreed-upon condition.

Consequences of Not Meeting Deadlines: Missing a contingency deadline without an addendum breaches the contract, cancels the sale, and forfeits the buyer's earnest money.

Walking Away from a Purchase Contract: A buyer can walk away for no contracted reason but they will lose the earnest money. The seller can walk away but they must return the earnest money to the buyer and match the amount with their own funds.

HOME INSPECTIONS

Schedule your home inspection soon after your offer has been accepted. If the owner is still living in the home you will need to coordinate with the owners. It is important to be present during the inspection so you can ask questions. Within a few days after the inspection you'll receive two copies of the inspection report. These are very informative documents that you'll want to review and keep.

Home inspections include an examination of

- Heating system and air conditioning unit.
- Plumbing and electrical systems.
- Roof and attic.
- Walls, floors, windows, doors.
- Foundation and all visible structures.

An inspection will

- Point out the need for repairs now or in the future.
- Help you determine if the cost of those repairs are worth what you're paying for the home.
- Educate you about features of the home you may have missed.
- Help you make an educated decision on the biggest investment you may ever make.

If you report reveals problems you may

- Negotiate the purchase price or terms. The seller may be willing to adjust the price or have the defect repaired.
- Most purchase contracts have a contingency to withdraw the offer without losing your earnest money if a problem is revealed by an inspection.

A home inspection typically costs between $300 and $500 and may be required by your lender. Even if it's not mandated, it is advisable to get one. The best way to find a home inspector is through recommendations from friends, family, neighbors, your lender, or real estate agent. Be sure to interview the home inspector before you hire him or her.

Note: In Utah, home inspectors aren't required to be licensed or certified. It is crucial to seek recommendations from trusted sources. For essential questions to ask your home inspector, refer to page 41.

FOR YOUR PROTECTION: GET A HOME INSPECTION

Why a Buyer Needs a Home Inspection

A home inspection gives the buyer more detailed information about the overall condition of the home prior to purchase. In a home inspection, a qualified inspector takes an in-depth, unbiased look at your potential new home to:

- Evaluate the physical condition: structure, construction, and mechanical systems
- Identify items that need to be repaired or replaced
- Estimate the remaining useful life of the major systems, equipment, structure, and finishes

You Must Ask for a Home Inspection

A home inspection will only occur if you arrange for one. FHA does not perform a home inspection. Decide early. You may be able to make your contract contingent on the results of the inspection.

Appraisals Are Not Home Inspections

An appraisal is different from a home inspection and does not replace a home inspection. Appraisals estimate the value of the property for lenders. An appraisal is required to ensure the property is marketable. Home inspections evaluate the condition of the home for buyers.

FHA Does Not Guarantee the Value or Condition of your Potential New Home

If you find problems with your new home after closing, FHA cannot give or lend you money for repairs, and FHA cannot buy the home back from you. Ask a qualified home inspector to inspect your potential new home and give you the information you need to make a wise decision.

Radon Gas Testing and Other Safety and Health Concerns

The United States Environmental Protection Agency and the Surgeon General of the United States have recommended that all houses be tested for radon. For more information on radon testing, call the toll-free National Radon Information Line at 1-800-SOS-Radon or 1-800-767-7236.

Ask your home inspector about additional health and safety tests that may be relevant.

Be an Informed Buyer

It is your responsibility to be an informed buyer. You have the right to carefully examine your potential new home with a qualified home inspector. To find a qualified home inspector ask for references from friends, realtors, local licensing authorities and organizations that qualify and test home inspectors.

10 IMPORTANT

QUESTIONS FOR YOUR HOME INSPECTOR

1 What does the inspection include?

The inspector should ensure that the inspection and report will meet all applicable requirements in your state if applicable and will comply with a well-recognized standard of practice and code of ethics. You should be able to request and see a copy of these items ahead of time and ask any questions you may have.

2 How much will it cost?

Fees vary depending on the size and age of the house, scope of services, and other factors. A typical range might be $300-$500, but consider the value of the home inspection in terms of the investment being made. Costs does not necessarily reflect quality. HUD does not regulate home inspection fees.

3 How long have you been a home inspector?

The inspector should be able to provide his or her history in the profession and perhaps even a few names as referrals.

4 Are you experienced in residential inspections?

Related experience in construction or engineering is helpful, but is no substitute for training and experience in home inspection.

5 How long will the inspection take?

The average onsite inspection time for a single inspector is two to three hours for a typical single-family house; anything significantly less may not be enough time to perform a thorough inspection.

6 Do you do repairs or improvements based on the inspection?

Some inspector associations and state regulations allow the inspector to perform repair work on problems uncovered in the inspection. Other associations and regulations strictly forbid this as a conflict of interest.

7 What type of report do you provide and when will I receive it?

Ask to see samples and determine whether or not you can understand the inspector's reporting style and if the time parameters fulfill your needs. Most inspectors provide their full report within 24 hours of the inspection.

8 Will I be able to attend the inspection?

This is a valuable educational opportunity, and an inspector's refusal to allow this should raise a red flag. Never pass up this opportunity to see your prospective home through the eyes of an expert.

9 Do you maintain membership in a professional home inspector association?

There are many state and national associations for home inspectors. Request to see their membership ID, and perform whatever due diligence you deem appropriate.

10 Do you participate in continuing education programs to keep your expertise up to date?

An inspector’s commitment to continuing education is a good measure of his or her professionalism and service to the consumer. This is especially important in cases where the home is much older or includes unique elements requiring additional or updated training.

ADDITIONAL INSPECTIONS TO CONSIDER

RADON

Radon is a tasteless, odorless gas that occurs from natural radioactive decay of uranium and radium in the soil. To check a home for radon, use test kits labeled “Meets EPA Requirements.” They are relatively inexpensive. If high levels of radon are found, a second, longer test is recommended to give more accurate information about radon in the home.

MOLD

Where is mold? It can usually be seen or smelled; it has a musty odor. Inspect for mold wherever there are water stains, standing water, or moist surfaces. Damp carpets, walls feeling cold to the touch, and areas with poor ventilation may have mold growth.

ASBESTOS

Asbestos is a mineral fiber that can be identified only with a special type of microscope. In the past, asbestos was added to a variety of products to strengthen them and to provide heat insulation and fire resistance. Special testing is needed to detect asbestos. Contact your local health department for more information.

METH RESIDUE

This inspection checks for residue in a home where methamphetamine has been used or manufactured. In order for a health department to accept test results, the test must be performed by a Certified Decontamination Specialist. Test kits obtained from home inspectors or home supply stores should only be used as a screening tool.

LEAD-BASED PAINT

Any home built before 1978 may be required to have a lead-based paint inspection for loan approval. Lead-based paint was banned in 1978; however, houses built into the mid-1980s may still contain lead-based paint. Lead-based paint is a hazard when it is damaged or in poor condition, such as when it is cracked, peeling or chipping. An inspection will tell you if the home contains lead paint. A risk assessment will tell you whether there is lead paint in the home and how to remedy it.

ENERGY EFFICIENCY

ENERGY STAR qualified homes save 15-20% on utilities over homes built to current energy code. The EPA’s ENERGY STAR designation is the best way to identify a home as energy efficient. ENERGY STAR homes have better insulation, higher efficiency heating and cooling equipment and appliances, efficient lighting, and fewer leaks in ducts and walls. Rating costs and costs to upgrade an existing home to ENERGY STAR qualifying levels can be recaptured with help from utility rebates and any state and federal incentives.

NOTES

Section 4

FINANCING YOUR HOME PURCHASE

MORTGAGE TYPES

CONVENTIONAL LOANS

Conventional loans are provided by banks, credit unions, and mortgage companies. They set their own rates and qualification criteria and are usually reserved for the most creditworthy borrowers. Most conform to Fannie Mae and Freddie Mac guidelines, allowing them to sell the loans after closing. These loans offer flexibility as lenders make independent decisions. A down payment of at least 5% is typically required. Any conventional loan with less than a 20% down payment will be required to have private mortgage insurance (PMI) to protect the lender in case you fail to make your mortgage payments.

GOVERNMENT-INSURED LOANS

Government-insured loans are backed by a government agency; however, you still apply for most of them through a regular lender. The government sets the rules for qualification, making these loans accessible to more people, including first-time homebuyers and those with alternate credit.

FHA Loans:

- Down Payment: 3.5% (can be gifted)
- Mortgage insurance premium (MIP) upfront and annually.
- Debt ratios: 31/43
- Maximum loan limits apply

VA Loan:

- For veterans and active-duty military
- Back-end ratio: 41%
- Benefits and fees vary by length of service

Rural Housing Service Loans:

- For rural areas
- Low or no down payments
- Flexible qualification
- Income limits apply, targeting low-to-moderate income buyers

Utah Housing Corporation:

- First-time homebuyer program
- Reduced interest rates for borrowers below 80% area median income (AMI)
- Down payment and closing cost assistance

FIXED-RATE MORTGAGE

A loan in which the interest rate and the principal and interest (PI) portion of the payment amount doesn’t change. It will fully amortize, or pay off completely, within the set number of years, usually 15, 20, or 30 years. Fixed-rate mortgages are ideal for those planning to stay in their home long term, who prefer predictable payments, and who want to avoid the risks associated with adjustable-rate mortgages.

ADJUSTABLE RATE MORTGAGE

An adjustable-rate mortgage (ARM) features a variable interest rate, causing the monthly payment to fluctuate over time. Initially, the interest rate is usually lower than a fixed-rate mortgage, making it appealing to borrowers. ARMs typically have 15- or 30-year terms. The main advantage of an ARM is the initial lower interest rate and payment, which can make it easier to qualify. However, ARMs are advisable only if you expect an increase in income or plan to move before the rate adjusts. Relying on these factors can be risky due to the unpredictability of house values and employment.

IF YOU'RE CONSIDERING AN ADJUSTABLE RATE MORTGAGE

Adjustable Rate Mortgages (ARMs) adjust every one, three, or five years based on the specific ARM type and market conditions. ARMs can increase buying power, making them attractive for purchasing more expensive homes. However, they pose significant risks for lower-income buyers. The payment increase after the rate adjustments can become unmanageable, leading to financial strain.

When considering an ARM, ensure you either expect a guaranteed income increase before the adjustment period or budget for the highest possible payment in your current budget. Many people choose ARMs expecting to move or refinance before the adjustments; however, they might end up staying longer or be unable to refinance.

Approach ARMs with caution, thorough planning, and a clear understanding. Consult your housing counselor to clarify any questions about ARMs. Below are additional definitions that may be helpful.

Adjustment Period
- ARMs are designated by numbers like 3/1 or 7/1, indicating the adjustment period.
- The first number shows the years the ARM has a fixed initial rate (e.g., 3 or 7 years).
- The second number shows how often the rate adjusts after the initial period (e.g., yearly).

Caps
- Adjustment cap limits how much the interest rate can change at each adjustment period.
- Lifetime cap limits how much the rate can change over the life of the mortgage.
- Caps can limit increases by a dollar amount or a percentage. It is crucial to understand these caps to anticipate how they will affect your payment.

Index
- The interest rate on an ARM is tied to an index, reflecting national interest rates influenced by the stock market and the U.S. economy.
- When the index increases, your interest rate and payment may also increase. However, the adjustments will stay within the limits of your caps.

Margin
- The margin is the amount the lender adds to the index to determine your ARM interest rate.
- It represents the lender's cost/profit and remains fixed after closing.
- For example, if the margin is 2% and the index is 4.5%, your rate will be 6.5%. If the index rises to 5.65%, your new rate will be 7.65%.
- The margin significantly impacts monthly payments, making it an important factor when comparing ARMs.

Adapted from the U.S. Department of Housing and Urban Development's
"The Homebuyer Education and Learning Program Guide" pp. 56-57.

LOAN APPROVAL PROCESS

1. Prepare to Meet the Lender

Build credit, save for the down payment and closing costs, and know the family spending patterns. Gather all financial statements needed such as bank accounts, pay stubs, and W-2s.

2. Shop for a Lender

- Ask friends or family for a recommendation.
- Make sure the lender works well with the borrower.
- Compare loan products among at least three different lenders using the mortgage comparison checklist provided in this book. Remember to compare the Annual Percentage Rate (APR) quoted by each lender. The APR is a good way to compare the costs of different loans because it includes all the fees.
- The buyer will also receive a Loan Estimate three business days after applying. The Loan Estimate will provide an estimate of the fees associated with closing on the loan.

3. Lender Sends Documents to Processor

- The lender will send the application papers, including all paystubs, taxes, bank statements, etc. to the loan processor to ensure that everything is in order for the underwriter. The lender will also order an appraisal of the house.

4. Underwriter Receives the Loan Application

- Generally the application is processed by an automated underwriting system. The underwriter evaluates the application and decides whether or not the borrower should receive the loan.
- If the underwriter approves the loan, the closing papers can be prepared.
- If the underwriter does not approve the loan, changes will be suggested and must be made so the loan can be approved. Changes may include repairing credit, increasing income and savings, or lowering debt.

5. Prepare for Closing

- The settlement agent will prepare the necessary documents such as the title search, survey, deed, and Closing Disclosure. The Closing Disclosure will be provided to the borrower for review three business days before closing. This is the time to ensure that everything is in accordance to what was quoted.

6. Attend Closing

- Attend closing, sign all of the necessary documents, and pay the closing fees. The paperwork will take a few days to process, and then the borrower will be a new home owner!

Adapted from Essentials of Real Estate Finance Chapter 9 by David Sirota 10th edition, 2000 and Housing Society and Environmental Issues (exercise book for FCHD 3340) by Dr. Lucy Delgadillo, Utah State University

MORTGAGE APPLICATION CHECKLIST

When applying for a mortgage loan, you may be required to provide some of the following documents:

Income (Capacity)
- W-2 forms for the last two years
- Pay stubs from the last 30 days with year-to-date income information
- Federal tax returns for the last two years

If Self-Employed
- Year-to-date Profit and Loss Statement
- Corporate or Partnership tax returns
- Pension Award letter if retired
- Social Security Award letters (if receiving Social Security)

The lender will request authorization to release information so it can send a verification of employment to all employers.

Assets (Capital)
- Bank statements for the past 2-3 months
- Stock, mutual fund, bond, etc. statements for the past 2-3 months
- Latest retirement statements (401k, etc.)
- Explanations for large deposits
- Closing Disclosure from the recent sale of a home or a home that may be selling

If Receiving Gift Money
- Letter establishing monetary gifts as gift money
- Copy of checks used for gift money
- Statement showing the gift money was deposited in an account

Credit (Character)
- Lender will have you sign an authorization to pull a credit report.
- Landlord's name, address, and phone number
- Debt information: credit card and loan numbers, contact information for the creditors
- Explanations for any of the following that may be found on the credit report:
    - Late payments
    - Credit inquiries
    - Collections
    - Liens
    - Judgments
    - Bankruptcy papers (if filed within the last seven years)
- To evaluate collateral, the lender will order an appraisal of the property.

Other Documents to Bring
- Purchase Agreement (if you've already made an offer on a home)
- Divorce settlement papers
- Social Security card

Adapted from "The Keys to Home Ownership" from the National Foundation for Credit Counseling (2001) and Dr. Leona K. Hawks, Utah State University Extension Housing Specialist

IF A LOAN APPLICATION IS REJECTED

- **Ask the lender for the reason.** The lender must provide a written explanation for the denial.
- **Request a free credit report.** If denied due to information on your credit report, you are entitled to one free credit report from the bureau that provided the report.
- **Seek advice.** Ask the lender what changes you need to make to increase your chances of approval.
- **Don't be discouraged.** One rejection does not mean all lenders will reject you.
- **Build and improve your credit.** Focus on making on-time payments consistently. It can take six months to two years to rebuild your credit record.

Reasons for Loan Rejection

Poor Credit or Too Much Debt

- Your credit report may have incorrect information. Write a dispute letter asking the bureau to investigate.
- Repay debts and bring debts current.
- Pay off or greatly reduce debts, then reapply.
- If close to paying off debts, explain your situation to the lender.

Inadequate Income or Down Payment

- Make adjustments to the household budget to allow for more savings that could be used for the down payment.
- Get a second job. This is a good way to earn extra money for down payment and closing costs.
- Wait until sufficient income can be achieved (raise, graduate from school, etc.).

Insufficient Funds

- Ask seller to pay closing costs or consider a buydown.
- Use a monetary gift from a family member.
- Implement a budget that includes a plan to save money for the home purchase.

House is Rejected

- House may have been unable to get a clear title.
- House appraisal was lower than the asking price.
- House may need major repairs.

Other Options to Consider

Non-conforming or subprime loans are for borrowers with poor credit, typically have higher interest rates, and possible prepayment penalties. If you are planning to refinance later, be cautious of these penalties, as some subprime loans can be predatory. For more details, see the Predatory Lending and Payday Loans section of this handbook.

If you believe you have been denied credit due to discrimination, the Equal Credit Opportunity Act and the Fair Housing Act offers protections.

CLOSING DOCUMENTS

Settlement (or Closing) is the pivotal day when the home officially becomes yours. This process involves both the buyer and seller signing several documents, typically at a title company with a closing agent facilitating the meeting. Following are the key documents you will sign at closing:

- **Loan Estimate:** Outlines key features, costs, and risks of your mortgage.
- **Closing Disclosure:** This document is provided three business days before closing. It details all transaction costs.
- **Escrow Disclosure:** Itemizes estimated taxes, insurance premiums, and other first-year escrow expenses.
- **Assumption Disclosure:** States whether the loan can be assumed by another party.
- **Purchaser and Seller Statement:** Acknowledges that no outside agreements influence the transaction.
- **Mortgage or Deed of Trust:** Grants the lender a legal claim to your home if you default. This document also details payment and default terms.
- **Promissory Note:** Your promise to repay the loan, including loan amount, payment schedule, and interest rate.
- **Flood Zone Disclosure:** Indicates if your home is in a flood zone and your agreement to buy flood insurance if necessary.
- **Loan Application:** Finalizes the loan application you previously submitted.
- **Warranty Deed**: Confirms the seller has clear title and the right to sell the home, transferring ownership to you.
- **Lien Affidavit:** Lists any liens against the property or certifies that there are none.
- **Many Other Documents:** You will encounter various other documents. It is crucial to understand what you're signing. Take the time to read through them or ask the closing agent to explain any terms or conditions you do not understand.

Being thorough during the signing process ensures you are fully aware of your rights and responsibilities as a new homeowner.

CLOSING COSTS

Closing costs are expenses incurred for a loan. They are listed in the APR and as Settlement Charges on the second page of the Closing Disclosure. It is important to compare the Closing Disclosure with the loan estimate and inquire about any discrepancies. Typically, closing costs are 2-4% of the loan amount, so it is beneficial to shop around for the best terms. Key items include:

- **Points**: Costs for discount points to reduce the interest rate.
- **Origination/Application Fee:** Fees for processing the mortgage application, either as a flat fee or a percentage of the mortgage.
- **Appraisal Fee:** Ensures the property's value meets or exceeds the mortgage amount, based on comparisons with similar properties.
- **Credit Report Fee:** Covers the cost of checking the borrower's and any co-borrower's credit.
- **Flood Certification:** Determines if the property is in a floodplain and requires flood insurance.
- **Title Search and Title Insurance:** Ensures the seller owns the property and the title is clear of encumbrances. Title insurance protects against future title issues and is a one-time fee.
- **Government Recording Fees:** Pays for recording the deed and mortgage with the county clerk.
- **Transfer Taxes:** Taxes for transferring the title and deed from the seller to the buyer.
- **Homeowners Insurance:** Most lenders require prepayment of the premium for at least two months and often up to a year.
- **Mortgage Insurance Premium:** If the down payment is less than 20%, lenders require private mortgage insurance (PMI), which continues until the borrower owns 20% of the home's equity.
- **Daily Interest Charges:** Interest accrued from the closing date until the first mortgage payment is due.
- **State and Local Fees:** Can include state mortgage taxes and other local government fees.
- **Real Estate Agent's Commission:** Typically 6% of the sales price split between the buyer's and seller's agents. This commission is usually paid by the seller.
- **Other Settlement Charges:** Could include required surveys or inspections for things like lead-based paint, water, etc.

Reviewing these costs carefully and understanding each item ensures that you are fully prepared for closing.

FICUS BANK
4321 Random Boulevard • Somecity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 2/15/2013
APPLICANTS Michael Jones and Mary Stone
123 Anywhere Street
Anytown, ST 12345
PROPERTY 456 Somewhere Avenue
Anytown, ST 12345
SALE PRICE $180,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE ☒ Conventional ☐ FHA ☐ VA ☐ ______________
LOAN ID # 123456789
RATE LOCK ☐ NO ☒ YES, until 4/16/2013 at 5:00 p.m. EDT

Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on ***3/4/2013*** *at 5:00 p.m. EDT*

Loan Terms

Loan Terms		Can this amount increase after closing?
Loan Amount	$162,000	**NO**
Interest Rate	3.875%	**NO**
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$761.78	**NO**
		Does the loan have these features? YES NO
Prepayment Penalty		• **As high as $3,240** if you pay off the loan during the first 2 years
Balloon Payment		

Projected Payments

Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	$761.78	$761.78
Mortgage Insurance	+ 82	+ —
Estimated Escrow *Amount can increase over time*	+ 206	+ 206
Estimated Total Monthly Payment	$1,050	$968

Estimated Taxes, Insurance & Assessments *Amount can increase over time*	$206 a month	**This estimate includes** ☒ Property Taxes ☒ Homeowner's Insurance ☐ Other: *See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.*	**In escrow?** **YES** **YES**

Costs at Closing

Estimated Closing Costs	$8,054	Includes $5,672 in Loan Costs + $2,382 in Other Costs – $0 in Lender Credits. *See page 2 for details.*
Estimated Cash to Close	$16,054	Includes Closing Costs. *See Calculating Cash to Close on page 2 for details.*

Visit **www.consumerfinance.gov/mortgage-estimate** for general information and tools.

Closing Cost Details

Loan Costs

A. Origination Charges	$1,802
.25 % of Loan Amount (Points)	$405
Application Fee	$300
Underwriting Fee	$1,097

B. Services You Cannot Shop For	$672
Appraisal Fee	$405
Credit Report Fee	$30
Flood Determination Fee	$20
Flood Monitoring Fee	$32
Tax Monitoring Fee	$75
Tax Status Research Fee	$110

C. Services You Can Shop For	$3,198
Pest Inspection Fee	$135
Survey Fee	$65
Title – Insurance Binder	$700
Title – Lender's Title Policy	$535
Title – Settlement Agent Fee	$502
Title – Title Search	$1,261

D. TOTAL LOAN COSTS (A + B + C)	$5,672

Other Costs

E. Taxes and Other Government Fees	$85
Recording Fees and Other Taxes	$85
Transfer Taxes	

F. Prepaids	$867
Homeowner's Insurance Premium (6 months)	$605
Mortgage Insurance Premium (months)	
Prepaid Interest ($17.44 per day for 15 days @ 3.875%)	$262
Property Taxes (months)	

G. Initial Escrow Payment at Closing		$413
Homeowner's Insurance	$100.83 per month for 2 mo.	$202
Mortgage Insurance	per month for 2 mo.	
Property Taxes	$105.30 per month for 2 mo.	$211

H. Other	$1,017
Title – Owner's Title Policy (optional)	$1,017

I. TOTAL OTHER COSTS (E + F + G + H)	$2,382

J. TOTAL CLOSING COSTS D + I	$8,054
Lender Credits	$8,054

Calculating Cash to Close

Total Closing Costs (J) Closing Costs	$8,054
Financed (Paid from your Loan Amount)	$0
Down Payment/Funds from Borrower	$18,000
Deposit Funds for Borrower Seller Credits	–$10,000
Adjustments and Other Credits	$0
	$0
	$0
Estimated Cash to Close	$16,054

Additional Information About This Loan

LENDER NMLS/__ LICENSE ID	Ficus Bank	**MORTGAGE BROKER NMLS/__ LICENSE ID**
LOAN OFFICER	Joe Smith	**LOAN OFFICER**
NMLS/__ LICENSE ID	12345	**NMLS/__ LICENSE ID**
EMAIL	joesmith@ficusbank.com	**EMAIL**
PHONE	123-456-7890	**PHONE**

Comparisons

Use these measures to compare this loan with other loans.

In 5 Years	$56,582 Total you will have paid in principal, interest, mortgage insurance, and loan costs. $15,773 Principal you will have paid off.
Annual Percentage Rate (APR)	4.274% Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	69.45% The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

Assumption If you sell or transfer this property to another person, we

☐ will allow, under certain conditions, this person to assume this loan on the original terms.
☒ will not allow assumption of this loan on the original terms.

Homeowner's Insurance This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

Late Payment If your payment is more than *15* days late, we will charge a late fee of *5% of the monthly principal and interest payment.*

Refinance Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Servicing We intend

☐ to service your loan. If so, you will make your payments to us.
☒ to transfer servicing of your loan.

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature Date Co-Applicant Signature Date

Closing Disclosure

This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.

Closing Information		Transaction Information		Loan Information	
Date Issued	4/15/2013	**Borrower**	Michael Jones and Mary Stone 123 Anywhere Street Anytown, ST 12345	**Loan Term**	30 years
Closing Date	4/15/2013			**Purpose**	Purchase
Disbursement Date	4/15/2013			**Product**	Fixed Rate
Settlement Agent	Epsilon Title Co.	**Seller**	Steve Cole and Amy Doe 321 Somewhere Drive Anytown, ST 12345		
File #	12-3456			**Loan Type**	☒ Conventional ☐ FHA ☐ VA ☐ _____________
Property	456 Somewhere Ave Anytown, ST 12345	**Lender**	Ficus Bank	**Loan ID #**	123456789
Sale Price	$180,000			**MIC #**	000654321

Loan Terms

		Can this amount increase after closing?
Loan Amount	$162,000	**NO**
Interest Rate	3.875%	**NO**
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$761.78	**NO**
		Does the loan have these features?
Prepayment Penalty		**YES** • **As high as $3,240** if you pay off the loan during the first 2 years
Balloon Payment		**NO**

Projected Payments

Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	$761.78	$761.78
Mortgage Insurance	+ 82.35	+ —
Estimated Escrow *Amount can increase over time*	+ 206.13	+ 206.13
Estimated Total Monthly Payment	$1,050.26	$967.91

		This estimate includes	In escrow?
Estimated Taxes, Insurance & Assessments *Amount can increase over time* *See page 4 for details*	$356.13 a month	☒ Property Taxes	**YES**
		☒ Homeowner's Insurance	**YES**
		☒ Other: Homeowner's Association Dues	**NO**
		See Escrow Account on page 4 for details. You must pay for other property costs separately.	

Costs at Closing

Closing Costs	$9,712.10	Includes $4,694.05 in Loan Costs + $5,018.05 in Other Costs – $0 in Lender Credits. *See page 2 for details.*
Cash to Close	$14,147.26	Includes Closing Costs. *See Calculating Cash to Close on page 3 for details.*

Closing Cost Details

	Borrower-Paid		Seller-Paid		Paid by Others
	At Closing	Before Closing	At Closing	Before Closing	
Loan Costs					
A. Origination Charges	**$1,802.00**				
01 0.25 % of Loan Amount (Points)	$405.00				
02 Application Fee	$300.00				
03 Underwriting Fee	$1,097.00				
04					
05					
06					
07					
08					
B. Services Borrower Did Not Shop For	**$236.55**				$405.00
01 Appraisal Fee to John Smith Appraisers Inc.		$29.80			
02 Credit Report Fee to Information Inc.	$20.00				
03 Flood Determination Fee to Info Co.	$31.75				
04 Flood Monitoring Fee to Info Co.	$75.00				
05 Tax Monitoring Fee to Info Co.	$80.00				
06 Tax Status Research Fee to Info Co.					
07					
08					
09					
10					
C. Services Borrower Did Shop For	**$2,655.50**				
01 Pest Inspection Fee to Pests Co.	$120.50				
02 Survey Fee to Surveys Co.	$85.00				
03 Title – Insurance Binder to Epsilon Title Co.	$650.00				
04 Title – Lender's Title Insurance to Epsilon Title Co.	$500.00				
05 Title – Settlement Agent Fee to Epsilon Title Co.	$500.00				
06 Title – Title Search to Epsilon Title Co.	$800.00				
07					
08					
D. TOTAL LOAN COSTS (Borrower-Paid)	**$4,694.05**				
Loan Costs Subtotals (A + B + C)	$4,664.25	$29.80			
Other Costs					
E. Taxes and Other Government Fees	**$85.00**				
01 Recording Fees Deed: $40.00 Mortgage: $45.00	$85.00				
02 Transfer Tax to Any State			$950.00		
F. Prepaids	**$2,120.80**				
01 Homeowner's Insurance Premium (12 mo.) to Insurance Co.	$1,209.96				
02 Mortgage Insurance Premium (mo.)	$279.04				
03 Prepaid Interest ($17.44 per day from 4/15/13 to 5/1/13)	$631.80				
04 Property Taxes (6 mo.) to Any County USA					
05					
G. Initial Escrow Payment at Closing	**$412.25**				
01 Homeowner's Insurance $100.83 per month for 2 mo.	$201.66				
02 Mortgage Insurance per month for mo.					
03 Property Taxes $105.30 per month for 2 mo.	$210.60				
04					
05					
06					
07	– 0.01				
08 Aggregate Adjustment					
H. Other 01 HOA Capital Contribution	**$2,400.00**				
02 HOA Processing Fee to HOA Acre Inc.	$500.00				
03 Home Inspection Fee to HOA Acre Inc.	$150.00			$750.00	
04 Home Warranty Fee to Engineers Inc.	$750.00		$450.00		
05 Real Estate Commission to XYZ Warranty Inc.			$5,700.00		
06 Real Estate Commission to Alpha Real Estate Broker			$5,700.00		
07 Title – Owner's Title Insurance (optional) to Omega Real Estate Broker	$1,000.00				
08 to Epsilon Title Co.					
I. TOTAL OTHER COSTS (Borrower-Paid)					
Other Costs Subtotals (E + F + G + H)	**$5,018.05**				
	$5,018.05				
J. TOTAL CLOSING COSTS (Borrower-Paid)	**$9,712.10**				
Closing Costs Subtotals (D + I)	$9,682.30	$29.80	$12,800.00	$750.00	$405.00
Lender Credits					

Calculating Cash to Close

Use this table to see what has changed from your Loan Estimate.

	Loan Estimate	Final	Did this change?	
Total Closing Costs (J)	$8,054.00	$9,712.10	**YES**	• See **Total Loan Costs (D)** and **Total Other Costs (I)**
Closing Costs Paid Before Closing	$0	– $29.80	**YES**	• You paid these Closing Costs **before closing**
Closing Costs Financed (Paid from your Loan Amount)	$0	$0	**NO**	
Down Payment/Funds from Borrower	$18,000.00	$18,000.00	**NO**	
Deposit	– $10,000.00	– $10,000.00	**NO**	
Funds for Borrower	$0	$0	**NO**	
Seller Credits	$0	– $2,500.00	**YES**	• See Seller Credits in **Section L**
Adjustments and Other Credits	$0	– $1,035.04	**YES**	• See details in **Sections K and L**
Cash to Close	$16,054.00	$14,147.26		

Summaries of Transactions

Use this table to see a summary of your transaction.

BORROWER'S TRANSACTION

K. Due from Borrower at Closing			**$189,762.30**
01 Sale Price of Property			$180,000.00
02 Sale Price of Any Personal Property Included in Sale			
03 Closing Costs Paid at Closing (J)			$9,682.30
04			
Adjustments			
05			
06			
07			
Adjustments for Items Paid by Seller in Advance			
08 City/Town Taxes		to	
09 County Taxes		to	
10 Assessments		to	
11 HOA Dues	4/15/13	to 4/30/13	$80.00
12			
13			
14			
15			
L. Paid Already by or on Behalf of Borrower at Closing			**$175,615.04**
01 Deposit			$10,000.00
02 Loan Amount			$162,000.00
03 Existing Loan(s) Assumed or Taken Subject to			
04			
05 Seller Credit			$2,500.00
Other Credits			
06 Rebate from Epsilon Title Co.			$750.00
07			
Adjustments			
08			
09			
10			
11			
Adjustments for Items Unpaid by Seller			
12 City/Town Taxes	1/1/13	to 4/14/13	$365.04
13 County Taxes		to	
14 Assessments		to	
15			
16			
17			
CALCULATION			
Total Due from Borrower at Closing (K)			$189,762.30 –
Total Paid Already by or on Behalf of Borrower at Closing (L)			$175,615.04
Cash to Close ☒ From ☐ To Borrower			**$14,147.26**

SELLER'S TRANSACTION

M. Due to Seller at Closing			**$180,080.00**
01 Sale Price of Property			$180,000.00
02 Sale Price of Any Personal Property Included in Sale			
03			
04			
05			
06			
07			
08			
Adjustments for Items Paid by Seller in Advance			
09 City/Town Taxes		to	
10 County Taxes		to	
11 Assessments		to	
12 HOA Dues	4/15/13	to 4/30/13	$80.00
13			
14			
15			
16			
N. Due from Seller at Closing			**$115,665.04**
01 Excess Deposit			
02 Closing Costs Paid at Closing (J)			$12,800.00
03 Existing Loan(s) Assumed or Taken Subject to			
04 Payoff of First Mortgage Loan			$100,000.00
05 Payoff of Second Mortgage Loan			
06			
07			
08 Seller Credit			$2,500.00
09			
10			
11			
12			
13			
Adjustments for Items Unpaid by Seller			
14 City/Town Taxes	1/1/13	to 4/14/13	$365.04
15 County Taxes		to	
16 Assessments		to	
17			
18			
19			
CALCULATION			
Total Due to Seller at Closing (M)			$180,080.00
Total Due from Seller at Closing (N)			– $115,665.04
Cash ☐ From ☒ To Seller			**$64,414.96**

Additional Information About This Loan

Loan Disclosures

Assumption
If you sell or transfer this property to another person, your lender

- ☐ will allow, under certain conditions, this person to assume this loan on the original terms.
- ☒ will not allow assumption of this loan on the original terms.

Demand Feature
Your loan

- ☐ has a demand feature, which permits your lender to require early repayment of the loan. You should review your note for details.
- ☒ does not have a demand feature.

Late Payment
If your payment is more than *15* days late, your lender will charge a late fee of *5% of the monthly principal and interest payment.*

Negative Amortization (Increase in Loan Amount)
Under your loan terms, you

- ☐ are scheduled to make monthly payments that do not pay all of the interest due that month. As a result, your loan amount will increase (negatively amortize), and your loan amount will likely become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
- ☐ may have monthly payments that do not pay all of the interest due that month. If you do, your loan amount will increase (negatively amortize), and, as a result, your loan amount may become larger than your original loan amount. Increases in your loan amount lower the equity you have in this property.
- ☒ do not have a negative amortization feature.

Partial Payments
Your lender

- ☒ may accept payments that are less than the full amount due (partial payments) and apply them to your loan.
- ☐ may hold them in a separate account until you pay the rest of the payment, and then apply the full payment to your loan.
- ☐ does not accept any partial payments.

If this loan is sold, your new lender may have a different policy.

Security Interest
You are granting a security interest in

456 Somewhere Ave., Anytown, ST 12345

You may lose this property if you do not make your payments or satisfy other obligations for this loan.

Escrow Account ***For now,*** your loan

- ☒ will have an escrow account (also called an "impound" or "trust" account) to pay the property costs listed below. Without an escrow account, you would pay them directly, possibly in one or two large payments a year. Your lender may be liable for penalties and interest for failing to make a payment.

Escrow Escrowed Property Costs over Year 1	$2,473.56	Estimated total amount over year 1 for your escrowed property costs: *Homeowner's Insurance* *Property Taxes*
Non-Escrowed Property Costs over Year 1	$1,800.00	Estimated total amount over year 1 for your non-escrowed property costs: *Homeowner's Association Dues* You may have other property costs.
Initial Escrow Payment	$412.25	A cushion for the escrow account you pay at closing. See Section G on page 2.
Monthly Escrow Payment	$206.13	The amount included in your total monthly payment.

- ☐ will not have an escrow account because ☐ you declined it ☐ your lender does not offer one. You must directly pay your property costs, such as taxes and homeowner's insurance. Contact your lender to ask if your loan can have an escrow account.

No Escrow		
Estimated Property Costs over Year 1		Estimated total amount over year 1. You must pay these costs directly, possibly in one or two large payments a year.
Escrow Waiver		

Fee

In the future,
Your property costs may change and, as a result, your escrow payment may change. You may be able to cancel your escrow account, but if you do, you must pay your property costs directly. If you fail to pay your property taxes, your state or local government may (1) impose fines and penalties or (2) place a tax lien on this property. If you fail to pay any of your property costs, your lender may (1) add the amounts to your loan balance, (2) add an escrow account to your loan, or (3) require you to pay for property insurance that the lender buys on your behalf, which likely would cost more and provide fewer benefits than what you could buy on your own.

Loan Calculations

Total of Payments. Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.	$285,803.36
Finance Charge. The dollar amount the loan will cost you.	$118,830.27
Amount Financed. The loan amount available after paying your upfront finance charge.	$162,000.00
Annual Percentage Rate (APR). Your costs over the loan term expressed as a rate. This is not your interest rate.	4.174%
Total Interest Percentage (TIP). The total amount of interest that you will pay over the loan term as a percentage of your loan amount.	69.46%

Questions? If you have questions about the loan terms or costs on this form, use the contact information below. To get more information or make a complaint, contact the Consumer Financial Protection Bureau at **www.consumerfinance.gov/mortgage-closing**

Other Disclosures

Appraisal

If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.

Contract Details

See your note and security instrument for information about

- what happens if you fail to make your payments,
- what is a default on the loan,
- situations in which your lender can require early repayment of the loan, and
- the rules for making payments before they are due.

Liability after Foreclosure

If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,

☒ state law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.

☐ state law does not protect you from liability for the unpaid balance.

Refinance

Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Tax Deductions

If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.

Contact Information

	Lender	Mortgage Broker	Real Estate Broker (B)	Real Estate Broker (S)	Settlement Agent
Name	Ficus Bank		Omega Real Estate Broker Inc.	Alpha Real Estate Broker Co.	Epsilon Title Co.
Address	4321 Random Blvd. Somecity, ST 12340		789 Local Lane Sometown, ST 12345	987 Suburb Ct. Someplace, ST 12340	123 Commerce Pl. Somecity, ST 12344
NMLS ID					
ST License ID			Z765416	Z61456	Z61616
Contact	Joe Smith		Samuel Green	Joseph Cain	Sarah Arnold
Contact NMLS ID	12345				
Contact ST License ID			P16415	P51461	PT1234
Email	joesmith@ficusbank.com		sam@omegare.biz	joe@alphare.biz	sarah@epsilontitle.com
Phone	123-456-7890		123-555-1717	321-555-7171	987-555-4321

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Applicant Signature Date

Co-Applicant Signature Date

CLOSING PROCESS CHECKLIST

Closing on your new home is the final step. This checklist will help you ensure that everything is in order for a smooth closing experience.

REVIEW CLOSING DISCLOSURE

- [ ] Confirm all financial details are accurate a few days before closing.

FINAL WALKTHROUGH

- [ ] Inspect the property one last time, ideally 24 hours before closing.

CLOSING COSTS

- [ ] Prepare to pay closing costs, typically 2-4% of the loan amount.

REQUIRED DOCUMENTATION

- [ ] Bring all necessary documents, including photo ID and proof of insurance.

PAYMENT METHOD

- [ ] Arrange for a cashier's check or wire transfer to cover closing costs.

UNDERSTAND THE PAPERWORK

- [ ] Familiarize yourself with the documents you'll be signing, like the mortgage agreement and deed.

ASK QUESTIONS

- [ ] Don't hesitate to ask your agent or attorney any last-minute questions.

KEYS AND ACCESS

- [ ] Ensure you receive all keys, codes, and access devices for the property.

RECORD KEEPING

- [ ] Keep copies of all closing documents for your records.

PREDATORY LENDING

What is Predatory Lending?
Predatory lending typically means imposing unfair, deceptive, or abusive loan terms on borrowers. In many cases, these loans carry high fees and interest rates, strip the borrower of equity, or place a creditworthy borrower in a lower credit-rated (and more expensive) loan, all to the lender's benefit. (Source: www.investopedia.com/terms/p/predatory_lending.asp)

Where predatory lending is found

- Payday loans/check cashing*
- Overdraft loans with high fees
- Title loans**
- Second mortgages and home equity lines of credit

*These types of loans prey on those who are strapped for cash. Even when repaid on time, they can cost significantly more than a regular loan. If repayment is difficult, the fees and interest rates can drive the APR above 1000%.

Predatory lending warning signs

- Underwriting that ignores the borrower's ability to repay
- Excessive loan to value ratios (100%+)
- Balloon payments
- Excessively high interest rates or fees

Predatory lenders may use high-pressure sales tactics such as

- "Rescuing" a homeowner from foreclosure
- Making loans in conjunction with home improvement contracts
- Door-to-door, internet, or mail solicitations
- Limited-time offers

How to protect yourself from predatory loans

- Be cautious. Most legitimate businesses don't solicit over the phone or door-to-door.
- Remember the old saying, "If it sounds too good to be true, it probably is."
- Shop around locally.
- Ask questions about any portion of the loan terms you don't understand. You have a right to clarify before signing.
- Never act immediately. Be wary of limited-time offers and up-front fees.
- Avoid balloon payments and prepayment penalties.

If you think you may have been a victim of predatory or a fraudulent loan, contact the Federal Trade Commission, your state Attorney Generals' office or a HUD housing counseling agency.

LAWS THAT PROTECT

TILA-RESPA (Truth in Lending Act-Real Estate Procedure Settlement Act)

Integrated Mortgage Disclosures under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z) protect consumers in real estate transactions by mandating the disclosure of specific information throughout the home buying process. This helps consumers better understand real estate transactions and avoid potential mistakes. For more information regarding the regulations go to http://www.consumerfinance.gov/knowbeforeyouowe/.

The following items are required to be disclosed under TILA-RESPA Integrated Disclosure:

Received within 3 business days after the loan application:

- **Information Booklet:** Contains information on real estate settlement services.
- **Loan Estimate:** General information, loan terms, projected payments, and costs at closing.
- **Mortgage Servicing Disclosure Statement:** Informs the borrower if the lender intends to keep the loan or if they plan to transfer it to a different lender.

Three business days before closing:

- **Closing Disclosure:** Discloses the loan terms, projected payments, costs at closing, loan costs, other costs, calculating cash to close, summaries of transactions, loan disclosures, loan calculations, dis- closures, and contact information.

At closing:

- **Closing Disclosure:** Shows the actual charges to be paid by both the buyer and the seller.
- **Initial Escrow Transaction:** Itemizes the estimated taxes, insurance premiums, and other charges that must be paid from the escrow account during the first year of the loan.
- **Lead-Based Paint Disclosure:** If built before 1978.

After closing:

- **Annual Escrow Loan Statement:** Discloses all escrow payments and deposits that were made throughout the year. Indicates any shortages or surpluses in the escrow account and how they can be remedied.
- **Servicing Transfer Statement:** Will be sent to the borrower of the loan if the loan is transferred to a different lender.

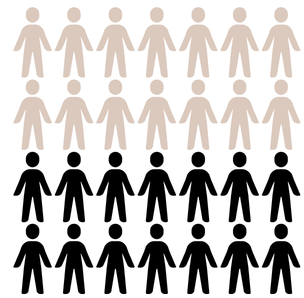
ABOUT THE FAIR HOUSING ACT

The Fair Housing Act protects people from discrimination when they are renting, buying a home, getting a mortgage, seeking housing assistance, or engaging in other housing-related activities.

Protected Classes

The Fair Housing Act prohibits discrimination in housing because of:

- Race
- Color
- National Origin
- Religion
- Sex (including gender identity and sexual orientation)
- Familial Status
- Disability
- Income (Utah)



Report Housing Discrimination

If you believe your rights may have been violated, we encourage you to report housing discrimination. Report housing discrimination as soon as possible. When reporting housing discrimination, please provide as much information as possible, including:

- Your name and address.
- The name and address of person or organization your allegation is against.
- The address of the housing or program involved.
- A short description of the event that causes you to believe your rights have been violated.
- The dates of the violation.

Scan Here To Report Online

Source: www.hud.gov/program_offices/fair_housing_equal_opp/online-complaint

AVOID PITFALLS

WHAT NOT TO DO	WHY
Don't sign documents where important details are left blank or documents you don't understand.	You are agreeing to repay a substantial amount of money over an extended period of time. Make sure you know what you are getting into and protect yourself from fraud.
Don't assume you are on your own.	HUD-approved housing counselors can help you navigate the process and find programs available to help first-time homebuyers. You can find a HUD-approved housing counselor in your area at consumerfinance.gov/find-a-housing-counselor or call HUD's interactive voice system at (800) 569-4287.
Don't take on more mortgage than you want or can afford.	Make certain that you want the loan that you are requesting and that you are in a position to live up to your end of the bargain.
Don't count on refinancing, and don't take out a loan if you already know you will have to change it later.	If you are not comfortable with the loan offered to you, ask your lender if there is another option that works for you. Keep looking until you find the right loan for your situation.
Don't fudge numbers or documents.	You are responsible for an accurate and truthful application. Be upfront about your situation. Mortgage fraud is a serious offense.
Don't hide important financial information.	Hiding negative information may delay or derail your loan application.

CFPB YOUR HOME LOAN TOOLKIT: A step by step guide p.14

NOTES

Section 5

LIFE AS A HOMEOWNER

POST-MOVE RESOURCE LIST

Congratulations on your new home! This resource checklist will help you smoothly transition into your new home and community.

Utilities Setup

- [ ] Assess overall maintenance and condition of the property.

Local Government Services

- [ ] Details on town hall, local DMV, public works, and emergency services.

Nearby Amenities

- [ ] List of nearby grocery stores, pharmacies, hospitals, and schools.

Community Engagement

- [ ] Information on local community centers, clubs, or groups.

Home Services

- [ ] Recommendations for reliable local handymen, cleaners, and landscapers.

REAL MORTGAGE COSTS

How does my payment really work? How can I save money on my house payment? Even small efforts can lead to significant savings when paying down your mortgage.

Did You Know?

- If you were to apply **one extra payment** each year to the principle amount on the loan below, it would cut off approximately **5 years** and save you approximately **$70,933.57** in interest.

- If you were to apply an **extra twenty dollars** a month to the principle amount on the loan above, it would cut off approximately **1 year** and save you approximately **$12,403.16** in interest.

- If you were able to get an interest rate one percent lower on the loan below, it would reduce your monthly payments by **$188.65** and save you **$67,747.57** in interest over the life of the loan.

- Compared to a 30-year loan, if you obtained a **15-year loan** with an **interest rate one-half percent lower**, the new payment would be **$652.35 more than** the original payment. Over the life of the loan, you would save **$206,289.57** in interest and the loan would be paid off in 15 years instead of 30 years.

Note: These examples are based on a $300,000 mortgage loan with a 6% fixed interest rate for 30 years. They also assume there is no prepayment penalty and the extra amount is applied directly toward the principal.

Payment Number	Interest	Total Interest	Principal	Balance	Total Payment
1st Year 1st Month	$1,500.00	$1,500.00	$298.65	$299,701.35	$1,798.65
1st Year 2nd Month	$1,498.51	$2,998.51	$300.14	$299,401.20	$1,798.65
1st Year 3rd Month	$1,497.01	$4,495.52	$301.64	$299,099.56	$1,798.65
≈	≈	≈	≈	≈	≈
29th Year 10th Month	$26.71	$347,487.77	$1,771.94	$3,570.50	$1,798.65
29th Year 11th Month	$17.85	$347,505.62	$1,780.80	$1,789.70	$1,798.65
29th Year 12th Month	$8.95	$347,514.57	$1,789.70	$0.00	$1,798.65

Adapted from Dr. Leona K. Hawks, USU Extension Housing Specialist and Tawnee McCay, AFC.

HOMEOWNERS INSURANCE

Homeowners insurance safeguards homeowners financially in case of damage or loss to their home and belongings. It typically covers events such as fire, theft, vandalism, and certain natural disasters. Additionally, homeowners insurance usually includes liability coverage, shielding homeowners if someone gets injured on their property or if they're responsible for damage to someone else's property. This insurance facilitates home repairs or replacements and addresses associated legal or medical expenses.

DO I NEED HOMEOWNERS INSURANCE?

You are not legally required to have homeowners insurance, but if you financed your home with a mortgage, the lender will most likely require it to protect their investment. Even if you own your home outright, it is advisable to have homeowners insurance to protect your investment.

If you have a mortgage and do not obtain insurance or if you let your policy lapse, the servicer will automatically assign you to one of their insurance providers. This force-place insurance may be more expensive.

If you live in a flood or earthquake area, your lender may require you to purchase additional insurance specific to those risks.

PARTS OF A HOMEOWNERS POLICY

Dwelling (Home and Attached Structures): Coverage must be sufficient to rebuild the home if completely destroyed. The ground isn't insured, but you must get insurance to cover the amount of the loan.

Separate Structures: This includes unattached structures like sheds, garages, fences, or driveways.

Personal Property: This covers the contents of your home and outbuildings. It is essential to take an inventory of all your possessions, using video or photos, and store this documentation in a safe place outside your home. Be sure to record the make and model of items. Coverage is usually limited to 75% of the property's value, with specific limits for certain types of property. Increase coverage for high-value items like jewelry and collections.

Loss of Use: Pays for temporary living expenses if you're displaced from your home.

Personal Liability: Covers damage to others' property or personal injury for which you're liable, including court costs. Standard policies start at $100,000, with experts recommending $300,000. No-fault medical coverage pays for injuries on your property without a liability claim.

Medical: Pays for injures to others on your property or due to your actions.

Umbrella Liability Insurance

Umbrella insurance fills gaps in coverage that your auto or homeowners insurance might leave. It is particularly beneficial if you have a home business like daycare or farming. It proves invaluable in legal situations, which can surpass the limits of homeowners insurance, potentially saving you from a significant expense.

Two Basic Insurance Types:

1. **Actual Cash Value Policy:** Covers the cost of replacing the home minus depreciation. Depreciation reflects the loss in the home's value over time. Remember to review your coverage annually and update it as necessary, especially if your home's value increases.
2. **Replacement Cost Policy:** Covers the entire cost to repair or rebuild the home.

Policies may also cover a certain percentage of the cost to rebuild your home that exceeds your policy limit.

Flood Insurance

Flood insurance is mandatory for homes located in floodplains. It covers natural disasters like overflowing rivers, rapid runoff, and mudflows. However, it does not cover damages from pipes breaking within your home.

Earthquake Insurance

Regular homeowner's insurance doesn't cover any damage caused by an earthquake. Additional earthquake insurance would need to be added to your policy.

Arranging Homeowners Insurance

You must select an insurance agent and secure your policy at least one week before closing. Ensure your policy remains current. Annually, touch base with your agent. After the holidays, inventory any new or valuable items you've obtained. Additionally, assess if the value of any personal property has risen.

Renters Insurance

While you are preparing to become a homeowner and are still renting, consider purchasing renters insurance. This policy safeguards your belongings and provides liability coverage.

Note: Your landlord's insurance only covers the structure.

Adapted from ww.state.il.us/ins?HomeInsurance/hometext.htm,
www.iii.org/individuals/homei, and Garman & Forgue, Personal Finance book

INSURANCE TIPS AND TRICKS

Bundle Your Policies

Save money by bundling multiple insurance policies (e.g., auto, home) with the same insurer for a multi-policy discount

Review Your Coverage Regularly

Ensure your insurance coverage reflects any life changes (e.g., marriage, new home, job change) to avoid overpaying

Opt for a Higher Deductible

Choose a higher deductible to lower premiums, but ensure you have enough savings to cover it if needed

Shop Around for Quotes

Compare quotes from multiple insurers to find the best coverage at the most competitive price

Maintain a Good Credit Score

Maintain a good credit score to reduce insurance costs. Pay bills on time and keep credit card balances low

Choose the Right Coverage Limits

Don't pay for unnecessary coverage. Make sure your coverage limits are sufficient to protect your assets and financial well-being.

Ask About Discounts

Inquire about available discounts for factors like safe driving or bundling policies to maximize savings on your premiums

Maintain a Healthy Lifestyle

Many insurance companies provide incentives for adopting and maintaining healthy lifestyles

File Claims Promptly and Accurately

File claims quickly and accurately. Give all needed documents and help with investigations

Remember, staying informed and proactive about your insurance can help you save money, maximize coverage, and ensure financial security for you and your loved ones.

PROTECTING YOUR INVESTMENT

Get to Know Your Home

Learn all you can about your home both before and after you purchase it. You can gather information from various sources, including the previous homeowner, your home inspector, new neighbors, previous contractors, city/county records, and professional specialists. Before buying your home, or shortly afterward, make sure you know the following information:

Where Is?	You should also know:
• Water and gas shut-off valves and how they work • Electrical panel or fuse box and master electrical shut-off and how it works • Hot water heater thermostat • How the furnace operates and how to change the filter • Sprinkler system shut-off valve and control panel • Sump pump and/or irrigation system, if applicable	• Home history: When it was built, who built it, remodels or improvements, major system upgrades, building permits issued • Availability of wiring diagrams/blueprints • Warrantees for appliance repair • Utilities: Garbage pickup date and contact information for power, utilities, and heat services. • Programming thermostats or sprinkler systems

Before You Move In

- Go through your possessions and eliminate things you don’t want or need. Less clutter means a more enjoyable new home.
- Take time to clean, paint, or complete minor repairs before moving in your boxes.

PROTECTING YOUR INVESTMENT

Physical Considerations

Protecting your home and the people who live in it is a significant responsibility and a source of satisfaction. As a homeowner, you have the freedom to decorate and maintain your home to your liking, which is rewarding. However, it also comes with a lot of responsibility. Taking good care of your home ensures its longevity and comfort for you and your family.

Home Safety

Every homeowner should have:

- Smoke detectors: Ensure you have enough and they are functional.
- Carbon monoxide detectors: Install one on each level of the home.
- Fire extinguishers
- List of emergency numbers
- First-aid kit

Home Maintenance

- Keep your home clean and well-maintained. Dirt and grime accelerate wear and tear on your home.
- Maintaining cleanliness can extend the lifespan of carpets, paint, appliances, and furniture.
- Address small repairs promptly to prevent larger, more expensive issues down the road.
- Prioritize safety-related repairs to ensure the wellbeing of everyone in the household.

Energy Efficiency

- Keeping your home warm or cool is costly, often making up 56% of your utility bill. Reducing how often your furnace or air conditioner runs can save money. ENERGY STAR homes are more energy-efficient, with better insulation, efficient systems, and minimal leaks. Both new and older homes can achieve this designation.
- Start with an energy audit, often free or low-cost from power companies, to find where you home loses heat or cool air. Department of Energy's DIY audit tool for more help. Upgrading to ENERGY STAR standards can be offset by utility rebates and state and federal incentives. For Utah incentives, visit **www.dsireusa.org**. Learn more at **www.energystar.gov** or call the Utah Energy Conservation Coalition at 1-800-550-8322.

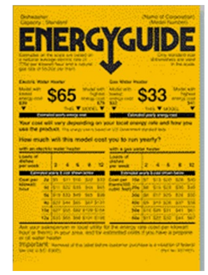
SELECTING MAJOR APPLIANCES

Appliances are a necessity in all homes. If chosen well, they can save you unnecessary expense in the future and provide effective long-term use. When shopping for a major appliance, consider the following:

NEEDS OF THE FAMILY

It is important to determine your family's needs before selecting an appliance. Do any family members have special needs? Is the family planning to grow with another child or get smaller as children leave? Determine what appliance will be the most useful for the family and if it will fit in the allotted space. Measure carefully.

ENERGY EFFICIENCY



Using energy efficient appliances can save a lot of money. When comparing competing models consider both the initial cost and long-term energy savings. Internal components like motors and sensors affect efficiency, even if the appliances look similar.

KEY POINTS:

1. **Initial versus Operating Costs:** Higher purchase price may be offset by lower energy bills over time.
2. **Lifetime Savings:** Long-term energy savings can surpass initial cost differences.
3. **EnergyGuide Label:** Check for size, annual energy use, operating costs, and efficiency ratings.

The **Energy-Star Logo** indicates superior energy efficiency compared to the average models. Both the EnergyGuide and Energy-Star tests are conducted by independent labs, ensuring unbiased information. Utility companies may offer rebates on energy efficient appliances, and federal tax credits might be available for energy-efficient appliances. For more information visit www.energystar.gov.

WARRANTY

A basic warranty often comes with major appliances. The manufacturers cover warranty expenses, which are reflected in the selling price. A good warranty should offer meaningful protection for the consumer. Be sure to understand what the warranty covers and the specific terms.

Keep the warranty contract and sales receipt in a safe place. Record the model, serial number, and track any repairs done after purchase. Store records for all household appliances together, such as in a clearly marked file folder.

QUESTIONS TO ASK ABOUT THE WARRANTY:

- Is the entire appliance covered or only certain parts?
- How long is the warranty for the appliance and parts?
- Does the warranty include labor or is it a separate fee?
- Who handles repairs: dealer, service agency, or manufacturer?
- Who pays for parts, labor, shipping charges, and travel charges?
- What happens when the appliance needs removal for repairs or is out of service?
- Who oversees the replacement?

SELECTING MAJOR APPLIANCES

Features

When selecting appliances, start by understanding your family's specific needs. Once these are clear, evaluate the features of each appliance. Only pay for features you will actually use, as unnecessary extras can increase costs without adding value.

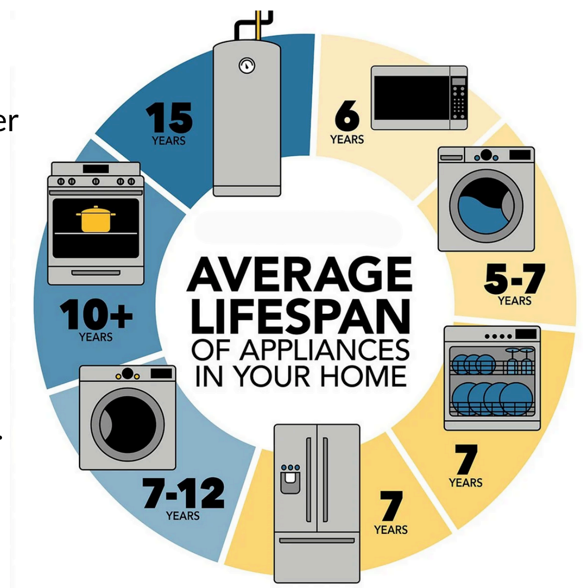
Next, measure the space where the appliance will be placed to ensure it fits properly and can be opened and closed without issues. Additionally, check the type of plug and power requirements of the appliance to make sure they match your outlet specifications. By considering these factors, you can make a well-informed decision and choose appliances that are both functional and compatible with your home and lifestyle.

Reliability

Choosing a reliable appliance is crucial to avoid expensive repairs. It is worth taking the time to research and find appliances known for their quality and durability. Use resources like Consumer Reports for appliance ratings and consult appliance repair firms for insights on specific models.

Maintaining Appliances

Regular maintenance can extend the life of larger appliances, such as furnaces and air conditioners. Water quality also impacts boilers, water heaters, and water pumps; high acidity or mineral content can reduce their lifespan. For other appliances, follow these maintenance tips:



- Annually clean refrigerator coils.
- Change air conditioner filters monthly when in use.
- Replace washer fill hoses every five years and turn off water if the house is empty for long periods.
- Drain hoses to prevent freezing in cold weather.
- Clean the clothes dryer exhaust duct yearly and keep the filter clean.

These practices help ensure your appliances remain functional and last longer.

SAVE MORE ON UTILITIES

Insulation	Adding insulation can significantly reduce utility bills. Insulation is rated with an R-value. The higher the value mean more energy savings. Check the Department of Energy online calculator at **www.ornl.gov** or learn more at **www.energysavers.gov**.
Air Leaks	**Caulking:** Seal around windows, doors, air conditioning units, and light fixtures. **Weather stripping:** Add to exterior doors for a tighter seal. **Windows:** Replace old single-pane windows with double or triple paned windows. **Trees:** A well-placed tree can block sunlight, reducing air conditioning needs in the summer.
Furnace	• Change filters regularly • Get furnace maintenance • Install an energy-efficient thermostat • Have ductwork cleaned and sealed • Consider new furnace installation
Unplug	• Unplug devises to stop the energy currents from flowing. • Use power strips to disconnect multiple items at the same time. • Enable power-saving or sleep modes on computers and monitors. • Adjust screen brightness settings on TVs and smartphone to reduce energy consumption.
Light Bulbs	• Choose LED bulbs instead of traditional or compact fluorescent bulbs. LEDs use less energy and have a longer lifespan than other bulbs. They are also more durable and less resistant to temperature changes.
Oven Options	• Use your microwave, toaster, slow cooker, pressure cooker, or air fryer. They use significantly less energy. • When you use the oven, try not to open it while the food is cooking. Every time you open the door, the temperature drops and the oven has to raise the temperature back to the desired degree.

ANNUAL HOME MAINTENANCE CHECKLIST

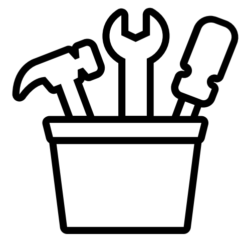
Foundation and Basement	Doors and Windows	Roof
• Inspect for signs of termites and wood decay. • Check grading to ensure that water will drain away from the foundation. • Check basement for dampness or leaks following wet weather. This is a sign that there may be cracks in foundation.	• Check doors, windows, and trim for chipping, cracked, or peeling paint. • Check for broken or damaged windows and screens. • Take down screens and clean them in warm soapy water. • Lubricate window hardware. • Check weather stripping for damage and tightness of fit.	• Check for damaged or loose shingles. Replace them to avoid leaks and damage. • Check underside of roof where accessible (an attic) for water stains/dampness. • Check for damage around vents and chimneys. • Inspect gutters/downspouts for leaks and breaks. Clean them so water can flow away from the home.
Electrical System	**Heating and Cooling Systems**	**Plumbing System**
• Check condition of cords to all appliances and plugs. • If any areas of your home have exposed wiring, replace them at the first sign of damage. • Test all smoke detectors and replace batteries every six months.	• Clean or change air filters. • Have systems checked by a qualified service person. • Remove window air conditioners for the winter or put weather-proof covers on them. • Clean dirt and dust from around furnaces, condensing units, grills, and vents.	• Check faucets, hoses, sinks, etc. for leakage or corrosion. • If your home has a septic system, have it serviced or checked. • Check water heater for leaks, corrosion, or obstruction.
Appliances	**Yard**	**Interior Surfaces**
• Clean dryer vent and hose, stove hood filters, and bathroom vent fan filters. • Inspect seals on refridgerator and freezer. • Clean coils.	• Drain outside water lines and hoses before winter, including flushing sprinkler system lines to prevent freezing and damage. • Clean out window wells and storm drains. • Check driveways and sidewalks for cracks. • Prune trees and shrubs, check for dead or rotting trees and insect infestation.	• Check all finished surfaces (painted walls, moldings, etc.) for dirt, peeling or damaged paint, and required repairs. • Check all caulking and grout in tile, around bathtubs, showers, and sinks.

REPAIRS AND REMODELS

Owning a home means that repairs are inevitable. While you can likely handle many of the smaller repairs on your own, be sure you have the necessary time, experience, and tools to do the job well.

Basic Tools Every Homeowner Should Have

- Safety goggles
- Dust mask
- Hammer
- Screwdrivers
- Tape measure
- Flashlight
- Plunger
- Pliers
- Putty knife
- Assorted nails
- Assorted screws
- Ladder
- Utility knife
- Caulking gun
- Power drill
- Level



Key Considerations for Major Home Repairs and Remodels

When a repair or remodel exceeds your abilities, you may need the assistance of a contractor or specialist. Before starting a major project, consider the following:

- **Evaluate Your Abilities:** Assess if the project is within your skillset or if you should hire a contractor. Consider the time it will take to do the repair yourself.
- **Careful Planning:**
  - **End Goal:** Visualize the finished product to plan the necessary steps. Prioritize projects and complete one before starting another.
  - **Budget:** Determine if you can finance the entire project or if it needs to be done in phases.
  - **Plans:** Create to-scale sketches or hire a drafter.
  - **Permits and Codes:** Check if a city building permit is required and ensure compliance with building codes.
  - **Timing and Weather:** Consider the project's duration, its impact on daily life, and optimal start time based on weather.
- **Value Addition:**
  - Assess if the remodel will add value to your home. Compare with neighboring homes and consult a real estate agent to ensure the improvements will boost resale value.

When hiring a contractor, seek recommendations, interview at least three, and check references. Ensure they have liability insurance, request warranties, and obtain a detailed bid. Agree on payment terms, avoid paying the full amount upfront, and secure a lien waiver for larger jobs involving subcontractors.

INVESTING IN YOUR NEIGHBORHOOD

One way to protect your home investment is by engaging with your new community. Being an active member of your neighborhood and community helps safeguard your home and your interests. City and state decisions can significantly impact your property and its value, and being involved allows you to influence these decisions. Here are some ways to get invested in your neighborhood:

Get to know your neighbors.
Introduce yourself and your family early on. Neighbors are a valuable source of information about local schools, parks, shopping, and community events. Building relationships with neighbors not only helps you feel at home but also enhances community safety. People who know each other are more likely to look out for one another's homes and possessions.

Read the local newsletters.
Cities, towns, communities, and even neighborhoods often publish newsletters. These are valuable sources of information about local events, zoning changes, and school board decisions that could impact you and your family.

Visit your city offices.
Find information from your city offices about programs, parks, events, sports, and fairs.

Show pride in ownership by maintaining your home's exterior.

- Keep the grass mowed and trimmed.
- Weed flower beds regularly.
- Rake up leaves to prevent them from blowing into your neighbor's yard.
- Shovel sidewalks and driveways.
- Park your car in the garage or driveway.

These actions improve the appearance of your neighborhood and demonstrate to your neighbors that you care about them and your community.

Be a good neighbor.
Neighbors helping neighbors is essential for a stable community. It can be comforting to know that support is nearby if you need it. Introduce yourself and offer your help. This fosters mutual support when you need it.

PROTECTING YOUR INVESTMENT

Financial Considerations

Financial considerations for homeowners are critical for maintaining financial stability and planning effectively. Managing ongoing maintenance costs, resisting credit temptations, and understanding options like second mortgages and home equity lines of credit are essential to avoid unexpected expenses and debt. By addressing these aspects proactively, homeowners can protect their investment and ensure long-term financial health.

Financial Tips for Homeowners

Understand your loan.
- Clarify any unclear points.
- Know when your payment adjusts if you have an adjustable rate mortgage.
- Understand your mortgage statements.

Budget payments.
- Ensure your monthly house payment (PITI) is covered in the budget.
- Adjust spending if your house payment is more than 30% of your gross monthly income.

Set financial priorities.
- Prioritize your mortgage payment after food and water.
- Make food, water, and shelter a top priority. Shelter includes utilities and heat.

Home Expenses

Regularly revisit your budget. Homeownership brings many financial changes and additional expenses, such as:

- Yard maintenance
- Landscaping
- Sprinkler system
- Paint and supplies
- Furnace filters
- Appliances
- Tree and shrub care
- Curtains or blinds
- Snow removal equipment
- Pest control

Financial Security Following Your Home Purchase

Every year you should save 1% to 3% of your home's value (divided into 12 months) for repairs and maintenance. For example, if your home is valued at $200,000, you should budget $2,000 to $8,000 for annual upkeep. This way, unexpected repairs such as replacing an $800 water heater will not be a financial strain.

Beware of New Credit: New homeowners often receive offers for no-interest financing, special deals on appliances, and more. Avoid taking on new debt, including car loans and credit cards, for at least one year after closing to adjust to your new home and its associated costs.

Avoid Second Mortgages and Home Equity Lines of Credit: These loans add another monthly payment and can involve fees and closing costs. While some people use them for home repairs or personal expenses, consider less risky, more cost-effective alternatives.

ADDITIONAL FINANCIAL CONSIDERATIONS

Effective financial management for homeowners involves organization, strategic refinancing, and stress prevention. By maintaining well-organized financial documents, homeowners can navigate tax obligations, insurance claims, and overall financial management. Recognizing opportune moments to refinance can lead to substantial savings. Additionally, identifying signs of financial stress early and implementing preventive measures are vital for long-term financial stability.

Keep Financial Documents Organized

Keep your financial documents well-organized for tax purposes and insurance claims. Maintain a system that includes:

- Documents from the purchase of your home
- Homeowners insurance policy
- Service contracts, owner's manuals, warranties, and receipts for appliances
- List of appliance model numbers
- Photos of exterior, interior, and major possessions
- Records of improvements or repairs by you or contractors
- Documents from contractors for work done
- Separate files for home financial records, such as bills, budgets, etc.
- Tax returns and documents for preparing next year's taxes

When to Refinance

Only consider refinancing if the new rate is at least 2% lower than your current rate and you plan to stay in your home for at least two more years. While refinancing can reduce payments or save on interest, there are potential drawbacks, such as recurring closing costs. Despite claims of no closing costs, refinancing typically incurs these expenses, either upfront or rolled into the loan. Approach refinancing cautiously, weighing all potential benefits and drawbacks, and beware of predatory lending practices and aggressive refinancing tactics.

Financial Stress

Financial stress is a common experience for home owners, but it is essential that you prevent it from escalating into financial distress. Here are some tools to help:

Preventing Financial Distress

- Maintain a good credit rating by paying bills on time and keeping debt low.
- Follow a spending plan that includes saving money.
- Prioritize expenses to ensure essentials are covered.
- Understand your obligations as a borrower and the terms of your loans.
- Recognize signs of financial distress and know where to seek help.

Signs of Financial Distress

- Non-mortgage debt repayment consumes over 20% of take-home pay.
- Losing track of debt amounts or avoiding awareness of them.
- Using savings to cover regular expenses.
- Frequently borrowing money.
- Relying on overtime or non-fixed income.
- Only making minimum payments on debts.

WHAT IS REFINANCING?

Mortgage refinancing is the process of obtaining a new mortgage loan to replace an existing one. Refinancing usually occurs to secure better loan terms, such as a lower interest rate. Once the refinancing is complete, your home serves as collateral for the new loan, similar to your original mortgage. It is important to understand that missing payments on the new loan could potentially lead to foreclosure.

Homeowners may consider refinancing their mortgage for these reasons:

- **Lower Interest Rate:** If interest rates have dropped since you took out your mortgage, refinancing can allow you to obtain a lower interest rate, potentially saving you money over the life of the loan. A common guideline is to consider refinancing only if you can secure a rate that is at least 2-3 percentage points lower than your current rate.

- **Eliminate Mortgage Insurance Premiums:** Some homeowners may have been required to pay mortgage insurance premiums (MIP) when they initially obtained their mortgage, particularly if they made a down payment of less than 20%. Refinancing can be a way to remove these premiums, especially when you reach an equity of 20% in your home.

- **Adjust Loan Term:** Refinancing allows you to change the terms of your loan. You can opt to extend the term to lower your monthly payments or shorten the term to pay off the loan more quickly, potentially saving on interest over time.

- **Lower Monthly Payments:** Lowering your interest rate through refinancing can result in reduced monthly payments, which can free up funds for other expenses or for savings goals.

- **Change Loan Type:** Homeowners with adjustable-rate mortgages (ARMs) may choose to refinance to a fixed-rate mortgage to secure a consistent interest rate and monthly payment.

Note that refinancing typically involves closing costs, which can include fees for loan origination, appraisal, title search, and other administrative expenses. Additionally, while it may be tempting to consolidate non-secured debts (such as credit card debt) into your mortgage, it is generally not advisable. Doing so puts your home at risk, as failure to repay these debts could lead to foreclosure. Instead, it is recommended to use second mortgages, like home equity lines of credit (HELOCs) or home equity loans, for home improvement projects or other investments that add value to your property.

Adapted from “Personal Finance 13th Edition” Garman, Forgue, Johnson

MORTGAGE DELINQUENCY OPTIONS

When facing mortgage delinquency, homeowners have various options through their mortgage servicers to alleviate financial strain. These options typically require an application process, including a hardship letter and financial statements such as budget, tax returns, bank statements, and pay stubs. Options may include any of the following:

Forbearance Agreement

Temporarily suspend or reduce payments for a specific period.

Temporary Interest Rate Reduction

Lower interest rates temporarily if financial problems are expected to be short term.

Recasting Missed Payments

Delay missed payments until the end of the loan term.

Permanent Modification of Loan Terms

Adjustments such as interest rate reduction, payment period extension, or principal cancellation.

Extension of Loan Payment Period

Spread principal repayment over a longer term to reduce monthly payments.

Capitalization of arrears

Adding past-due amounts to the loan balance and recalculating payments.

Reduction of principal balance

Possible in cases of negative equity (underwater mortgages).

Deferred junior mortgages

Reduction of principal with a junior mortgage retained by the lender.

Pre-Foreclosure Sale/Short Sale

Selling the property before foreclosure with lender permission.

Deed-in-Lieu

Transferring property ownership to the lender to avoid foreclosure.

If you notice signs of financial distress or struggle to make house payments, reach out to a HUD Approved Housing Counseling Agency. Stay in contact with your lender and address any mail regarding your finances promptly. Foreclosure prevention specialists are available to explore and assess various options to assist you.

NOTES

Appendix

GLOSSARY OF TERMS

Adjustable Rate Mortgage (ARM): A loan in which the interest rate changes on a regular schedule based on a previously specified index and the lender's margin.
Adjustment period: On an adjustable rate mortgage, the amount of time designated between rate adjustments.
Amortization: The process of paying off a loan with regular payments over a fixed time period.
Annual Percentage Rate (APR): The cost of borrowing money expressed as a yearly rate. It includes the interest rate plus points and closing costs.
Appraisal: A professional opinion of the market value of the property.
Appreciation: An increase in the value of a home due to changes in market conditions, home improvements, or other factors.
Assessed Value: The value placed on a house by a public tax assessor for the purpose of determining property taxes.
Assumable: When a mortgage can be taken over (assumed) by the buyer when a home is sold.
Automated Underwriting: A computer-based method mortgage lenders use to process and approve or deny loan applications more quickly, using credit scores and other loan application data.
Balloon Payment Mortgage: A mortgage with fixed monthly payments based on a 30-year schedule of payments on which the entire balance of the loan comes due at the end of a set period, usually five, seven, or ten years.
Buy-Downs: Points a borrower pays in advance to lower the interest rate. Also called "discount points."
Buyer Broker Agreement: The contract signed by either a seller and real estate professional or a buyer and a real estate professional. The buyer or seller agrees to hire the certain real estate professional as their contracted agent. It lays out the details of the contract as well as how the agent will get paid for his or her services.
Buyer Due Diligence Checklist: A document that must by signed by the homebuyer by a specified date, certifying that he or she has reviewed all information that has been submitted about the home and that the buyer is comfortable with it. It includes the seller's disclosures, appraisal, financing, inspections, etc.

Buyer's Agent: The real estate professional who legally represents the buyer and is required to get the best terms and conditions for the buyer. His or her job is to show you homes that fit your wants and help you negotiate a purchase agreement. A buyer signs a buyer-broker agreement covering a specific time frame that designates the real estate agent as their agent and lays out the terms of the contract as well as payment. Buyer's agents are typically paid by splitting the sales commission with the listing agent.

Caps: Limits placed on how much an interest rate can fluctuate on an Adjustable Rate Mortgage. The "adjustment cap" is the limit on how much the interest rate can change at each adjustment period. The "lifetime cap" is the limit on how much the rate can change over the life of the mortgage.

Clear Title: A title that is free of liens and legal questions about the ownership of the property.

Closing: The final step in the transfer of property ownership. A formal meeting (or meetings) with the buyer, seller, and a settlement agent where the buyer signs the mortgage and note, the seller receives payment for the property, each pay closing costs, and the title is transferred from the seller to the buyer. Also called "settlement."

Closing Costs: The costs to get a loan and transfer title to a new owner. Also called "settlement costs."

Closing Disclosure: A document which details the actual terms and costs of the transaction.

Contingency: A condition put in an offer to buy a home.

Conventional Mortgage: A loan made by for-profit lenders and not insured by the federal government.

Counter Offer: Once a purchase contract, or offer, has been submitted to the seller, he or she may propose revisions to the contract. Both sellers and buyers can counter the offer until an agreement has been reached.

Debt-to-Income Ratio: The maximum percentage of a borrower's gross monthly income that can be spent on the house payment and all other creditor debts. Also called "back-end ratio."

Deed: A legal document conveying title to a property. Also called "grant deed" or "warranty deed."

Deed-In-Lieu: An agreement where a delinquent borrower gives the lender the deed and the keys and moves out of the property in exchange for forgiveness of the loan. Also called a deed-in-lieu of foreclosure.

Deed of Trust: An alternative to a mortgage in some states, whereby a third party holds the deed of the property as security until the buyer repays the loan. Also called "trust deed."

Default: Failure to meet financial obligations (make payments) that may result in the lender foreclosing on the property. A borrower is officially in default the day after a payment is due. Also called "delinquency."
Delinquency: Late payment or non-payment of principal, interest, taxes, or insurance.
Discount Points: Points a borrower pays at or before closing to lower the interest rate of the loan.
Down Payment: The amount of cash a borrower pays toward purchasing a home.
Dual Agents: A real estate professional who legally represents both the buyer and the seller in a single real estate transaction. Usually, both parties have to consent to this.
Due-on-Sale Clause: A provision in a mortgage that allows the lender to demand repayment in full if the borrower sells the property that is securing the mortgage.
Earnest Money: Funds included with a purchase contract to demonstrate good faith in following through with purchase contract agreements. This is usually less that 3% of the purchase price.
Easement: A right-of-way that allows people other than the owner access to or over property. Common easements are for power lines, water access, or to the city for future sidewalks.
Energy-Star: Logo used on most energy-efficient appliances.
Equity: Ownership interest in an asset after liabilities are deducted, or the portion of the home the borrower owns.
Escrow Account: A special account set up by the lender to collect and hold a part of your monthly payments toward annual property taxes and homeowners insurance. Also called an "impound account." Property taxes and homeowners insurance are due just once a year. Most lenders require that you pay for your taxes and insurance in advance on a monthly basis. Your escrow payment is the TI part of PITI (Principle, Interest, Taxes, Insurance).
Fair Housing Act: A federal law that prohibits discrimination in housing and real estate transactions.
FHA loan: A mortgage that is insured by the Federal Housing Administration.
Final Walk-Through: No more than 7 days before closing, the buyer has the right and responsibility to go back through the home to make sure its still in the same condition as when you wrote the purchase contract.
First mortgage: A home loan that has priority over the claims of subsequent lenders for the same property in the event of default.
Fixed-rate mortgage: A mortgage in which the interest rate does not change over the life of the loan.
Flood Insurance: An insurance policy required by a lender if a buyer's house is located in a flood zone.
Forbearance: An agreement by the lender to allow a delinquent borrower to skip one or more payments completely and make them up later through a payment plan.

Foreclosure: The legal process used to force the payment of a debt secured by collateral whereby the property is sold to satisfy the debt.
For Sale By Owner (FISBO): A home that is offered for sale without the use of a real estate agent.
Gift Letter: A document that is required by a lender if a borrower receives a down payment from any individual as a gift.
Gross Income: Money earned before taxes and other deductions.
Hazard Insurance: Insurance to protect the homeowner against physical damage to a property from fire, wind, vandalism, and other hazards. "Homeowner's insurance" includes hazard insurance as well as liability insurance and protection of the contents of the home.
Home Equity Line of Credit (HELOC): A type of home equity loan that allows the homeowner to access the loan money with checks or a credit card as needed.
Home Equity Loan: A loan based on the difference of the amount of equity paid on a home and the home's current market value.
Homeowner's Association: A group of homeowners within a defined community, neighborhood, or complex who make decisions, pay to maintain and repair land and common areas, and/or enforce community rules and covenants.
Homeowners Insurance: An insurance policy on a house and its contents that combines liability coverage with hazard insurance.
Home Warranty Policy: An optional policy that can be purchased that protects homeowners for one year against the cost of repairing heating and cooling systems, plumbing, and major appliances.
Home Inspection: A professional opinion of the structural soundness of a property. Will include an inspection report with a great deal of valuable information on the defects as well as features of the home.
Housing Ratio: The maximum percentage of a borrower's gross monthly income that can be used to make the monthly mortgage payments. Also called the "front-end ratio.'
HUD: U.S. Department of Housing and Urban Development.
Index: A published market index rate tied to an economic indicator that is used to calculate the interest rate of an adjustable rate mortgage at origination and at each adjustment period.
Interest: The cost of borrowing money.
Interest Rate: The percentage of the loan amount charged for a loan.
Interest Rate Lock-In: A written guarantee that a buyer will receive a specified interest rate from a lender, provided that the loan closes within a set period of time.

Lender: The entity or person who offers the mortgage loan. Also called a “mortgagee.”
Liability Protection: Insurance that covers people (other than the insured homeowner) and their personal property in case of injury or damage while on the homeowner’s property.
Lien: A legal hold or claim of one person on the property of another as security for a debt, or a charge that may be listed on a credit report as a public record.
Listing Agent: The real estate professional who has a contract with the seller of a house to market the property for sale and represent the seller when offers are made. A listing agent legally represents the seller and is required to get the best terms and conditions for the seller. A listing agent is paid by the seller from the proceeds of the sale, which is usually a percentage of the purchase price. Also referred to as the “seller’s agent.”
Loan Estimate: A document that discloses good-faith estimates of credit costs and transaction terms.
Loan Modification: An agreement between a lender and a delinquent borrower that changes the terms of the loan. Lenders may agree to a permanent interest rate reduction, extension of the loan's payment period, re-amortization, capitalization of arrears, cancellation of principle, or some combination.
Loan Term: The amount of time a borrower has to pay off a loan, typically 15, 20, or 30 years for a mortgage.
Loan-to-Value Ratio (LTV): A comparison of the loan amount to the appraised value of the home, expressed as a percentage.
Margin: The set percentage the lender adds to the index rate to determine the interest rate of an adjustable-rate mortgage.
Mortgage: A security agreement between a lender and a buyer in which the property is collateral for the loan. The mortgage gives the lender the right to collect payment on the loan and to foreclose if the loan obligations are not met.
MLS (Multiple Listing Service: A service within a given area that allows real estate professionals to submit listings and agree to attempt to sell all properties in the service.
Mortgage Insurance: A policy required by the lender if a borrower puts less than 20 percent cash down when buying a home with a convention or FHA loan, which protects the lender from collateral risk in case of default. Also called “private mortgage insurance (PMI)” for conventional loans and “mortgage insurance premium (MIP)” for FHA loans.
Mortgage Payment: The total monthly loan payment known as principal, interest, taxes, and insurance (PITI).
Negative Amortization: Payment terms under which the borrower’s monthly payments do not cover the interest due and the loan balance subsequently increases.
Net Income: Money earned after taxes and other payroll deductions have been withdrawn.

Nontraditional Credit History: A record of credit performance shown with receipts and check stubs from payments to landlords, utility companies, child care providers and others, for loan applicants who do not have a credit history from loans and other forms of credit.
Note: A legal document obligating a borrower to repay a loan at a stated interest rate during a specified period of time that is secured by a mortgage and recorded in the public records along with the deed. Also called a "mortgage note" or "promissory note."
Origination Fee: A fee, some lenders charge for submitting, processing and evaluating a proposed mortgage loan.
Partial Claim: When a mortgage insurance company lends a delinquent borrower money to bring a loan current by making a second mortgage on the property.
PITI: Abbreviation for Principal, Interest, Taxes, and Insurance, the four components of a house payment.
Points: A fee that is 1% of the loan amount. There are two kinds of points, discount points (see "discount points") and origination points (see "Origination Fee.")
Pre-Approval: A guarantee that a lender will lend a potential buyer a fixed amount of money as long as the borrower buys a home by a certain time and the house appraises for the amount of money for which the borrower qualifies.
Predatory Lending: An unethical type of lending that falls between appropriate risk-based pricing and blatant fraud and combines certain products, terms, prices, and practices.
Pre-Foreclosure Sale: When the lender allows a delinquent borrower to sell the house to avoid foreclosure.
Prepayment: Paying more each month than the amount of the mortgage loan payment with the intent to pay the loan off sooner and save money on interest charges.
Prepayment penalty: A fee charged on some loans if a loan is paid off before it is due.
Pre-Qualification: The process lenders use to calculate a potential buyer's mortgage affordability based on unverified information.
Private mortgage insurance (PMI): Insurance that protects a lender against loss if a borrower defaults on the mortgage. Usually required on conventional loans when less than 20% has been paid as a down payment.
Promissory Note: A document in which the borrower promises to repay a loan. Also called "note."
Property Tax: A tax charged by the local government and used to fund a variety of municipal services such as schools, police or street maintenance. Also called "real estate tax."
Purchase and Sale Agreement: A written contract signed by the buyer and the seller stating the terms and conditions under which a property will be sold.

Rate Lock-In: Mortgage rates change daily. A lender may offer to “lock-in” the current interest rate during the time the loan is being processed. This allows buyers to complete the loan process knowing the exact interest rate they will be charged and protects the buyer if the interest rates rise. Remember to ask if you can lock in and how long a lock-in will last.
Real Estate Agent: A professional licensed by the state who has been specially trained to assist people to buy, sell, or rent houses, other buildings, and land.
Real Estate Purchase Contract: Commonly known as “making an offer,” a purchase contract proposes to the seller a certain purchase price as well certain conditions of the offer and is usually contingent upon the inspection, appraisal, clear title, and receiving a loan. The seller can accept, counter offer, or reject an offer. Also known as a “purchase agreement.”
Real Estate Settlement Procedures Act (RESPA): A law that establishes procedures for closing mortgage loans. RESPA prohibits cost-increasing practices, such as kickbacks and referral fees, and requires advance disclosure of settlement costs.
Realtor: A real estate agent or agency that belongs to the local or state board of REALTORS and has an affiliation with the National Association of REALTORS.
Refinancing: The process of paying off one loan with the proceeds from a new loan secured by the same property.
Recording: The process of making certain documents part of public record at the county recorders office.
Reverse Mortgage: A type of home loan in which a homeowner who is 62 years old or older may convert the equity in his her or home into cash.
Second Mortgage: A home loan that has rights subordinate to the rights of the first mortgage. In other words, it is repaid after the first mortgage, in case of foreclosure.
Seller’s Agent: The real estate professional who has a contract with the seller of a house to market the property for sale and represent the seller when offers are made. A listing agent legally represents the seller and is required to get the best terms and conditions for the seller. A listing agent is paid by the seller from the proceeds of the sale, which is usually a percentage of the purchase price. Also referred to as the “listing agent.”
Seller’s Property Condition Disclosure: A document furnished to a prospective buyer that discloses all known faults and conditions of the home. Must be given to the prospective buyer within a certain number of days after an accepted offer.
Short Sale: Where the bank agrees to accept less than the amount due on a mortgage loan in order to make the sale of the house possible. This may incur some tax implications for the borrower.
Single Family Home: A type of house, usually detached, that is owned by one person or family, including the land on which it sits.

Survey: A professional measurement of a property and the land around it.
Sweat Equity: Increase in property value or equity, due to labor or improvements by the owner(s).
Title: A legal document establishing the right of ownership in a property.
Title Insurance: Insurance to protect the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property.
Trust Deed: The same as the "mortgage" where a third party (the lender) holds the deed of the property as security until the buyer repays the loan. Also called a "deed of trust."
Truth-In-Lending Act (TILA): A federal law that requires creditors to give complete and accurate information about the cost of credit to consumers and the terms of repayment.
Underwriting: The process of analyzing a borrower's finances in order to approve or deny a loan.
VA Loan: A loan guaranteed by the U.S. Department of Veterans Affairs.

Glossary Adapted from Realizing the American Dream by Neighborworks America.

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