

# Buying Your First Home with HUD



**Written and Distributed by Sage Acquisitions.**

Sage Acquisitions is one of several Asset Managers contracted by the U.S. Department of Housing and Urban Development (HUD) to market and manage the HUD sales process and HUD properties in 26 states and U.S. territories.

# First Time Homebuyers Booklet

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## **Learn how the U.S. Department of Housing and Urban Development can help you become a Homeowner**

“The U.S. Department of Housing and Urban Development or HUD was established to develop national policies and programs to address housing needs in the United States. One of HUD’s primary missions is to create a sustainable living environment for all Americans by developing and improving the country’s communities and enforcing fair housing laws” – HUD.gov

HUD can also help you become a homeowner, they have several policies and programs supporting more access to homeownership and affordable housing! HUD specifically helps lower and moderate-income families through its Federal Housing Administration (FHA) program. FHA requires that borrowers purchase mortgage insurance if they are making less than a 20 percent down payment. This allows first-time buyers the chance to put down as little as 3.5 percent to purchase a home they may find more difficult to buy with a conventional loan. With FHA you don’t need to have perfect credit to qualify for a loan.

No tax dollars are used to fund the FHA program and anyone who meets the credit requirements can afford a mortgage and who plans to use the mortgaged property as their primary residence, can apply for an FHA-insured loan. Click [here](#) for more information on FHA loans.

### **Questions and Answers for first time Homebuyers**

Are you thinking about purchasing a home for the first time? If so, congratulations! Purchasing your first home can be an exciting, terrifying, eye-opening experience; but don’t worry. After you’ve read our frequently asked questions, you will be better prepared to start the process of buying your first home.

## So you're thinking about Buying a Home

"Key Questions" - The questions below are your first step towards determining your eligibility to buy a home at this time.

- ✓ Do you have a reliable job and income? If yes, have you been consistently employed for the past 2 to 3 years?
- ✓ Do you have earnest money saved up? (down payment)
- ✓ Are you able to pay a mortgage, plus taxes and insurance every month and any other expenses that may occur?
- ✓ Have you missed a bill payment within the last couple of years?
- ✓ Do you have any long-term debts or liabilities?

Answering "yes" to the first three questions and "no" to the last two means you are probably ready to get started!

How to Begin – You've answered our "Key Questions" and are ready to look, or talk to an agent, or...

If you're wondering where to begin, start by thinking about your current situation. How much of a monthly mortgage payment plus other monthly expenses can you comfortably afford? Where would you like to live? How many rooms do you need? Create a checklist and start your research. Ask around, drive through neighborhoods you'd like to live in, take a look at the "homes" page in your local classifieds or go to your state's multiple listing service to begin searching for a home.

Renting Vs. Owning - When looking for the home you love, it becomes a bit daunting and many times potential home buyers asks themselves, why shouldn't we just continue renting? One advantage of renting is that it is much easier as you are usually not responsible for property maintenance. There are several disadvantages of renting, such as you are not able to build equity, you can't take advantages of tax benefits, or protect yourself against rent increases. You are at the landlord's mercy if you choose to rent rather than buy.

There are substantial benefits to owning a home. When you pay your mortgage, you are making an investment in the form of building equity. Equity is the difference between your home's fair market value and the outstanding balance on the property. Owning also give you the freedom to live in your home the way you'd like to while qualifying for tax breaks associated with your new expenses. i.e. real estate taxes, upkeep and home insurance.

How much can you afford? – In order to determine how much of a mortgage you can afford, lenders use a debt to income ratio. Debt to income ratios compare your before

tax income to both housing and non-housing expenses. Examples of non-housing expenses are student loan payments and car payments. When determining your loan amount, lenders also take into account the amount of money you have to put down, your credit history and whether you have enough to pay an attorney to close your property, i.e. closing costs.

Which agent is the right agent? – When looking for a real estate agent, start by asking your friends and family about agents they've had good experiences with. Interview multiple agents and pay close attention to those who listen well, seem to understand what you are looking for and whom you trust. Your ideal pick would be an agent who knows the community well and has contacts and resources to help you in your search. You want to work with an agent you are comfortable with, who's knowledgeable and can provide the services you need.

## **BUYING HUD**

HUD and FHA - The Federal Housing Administration (FHA), a part of the U.S. Department of Housing and Urban Development (HUD), requires federal mortgage insurance when a borrower puts less than 20 percent down. This ensures that mortgage lenders will be reimbursed in the event homebuyers default on the mortgage.

What is a HUD Home? – A HUD home is a one to four unit residence acquired by HUD as a result of a foreclosure on an FHA-insured mortgage.

### **There are just two things you need to do to get started....**

#### **1<sup>st</sup> Find a HUD Home**

HUD's official listing site for all HUD homes that are available for sale are located on Sage Acquisitions' webpage at [SageAcq.com](http://SageAcq.com) or you will find them at [HUDHomestore.com](http://HUDHomestore.com). This website is a free, public access website in which anyone can search all of the HUD homes that are currently for sale.

Potential purchasers do not need to sign up for any programs or pay any fees to view or search for HUD homes. To view HUD homes available for sale today, visit [SageAcq.com](http://SageAcq.com) and click on "Properties". This takes you directly to HUD's listing site, [HUDHomestore.com](http://HUDHomestore.com), where you can search by state.

#### **2<sup>nd</sup> Get connected with a HUD-Registered real estate agent**

This is the primary step to purchasing a HUD home. This agent will assist you in searching for HUD homes, show you homes, explain how to get pre-qualified with a lender, and submit offers on your behalf to HUD.

Buyers cannot purchase a HUD Home without the assistance of a HUD-registered agent.

You can find a HUD-registered agent from the listing site on HUDHomestore.com, or you can simply ask any agent you may be working with or know, if he or she is HUD-registered and familiar with selling HUD homes.

Navigating through HUDHomeStore.com is extremely easy and informative, providing you with HUD programs and resources. Property search can be accessed from the home page and you can search by state, zip code or buyer type. The HUD news room provides information on HUD lenders and press releases regarding new programs and housing developments. You can find frequently asked questions and HUD handbooks on the resources page with grant applications, HUD forms and an FHA mortgagee starter kit.

### **Time to Find Your Home!**

How to find your dream home - When looking for your dream home, make sure to look for things that would appeal to your whole family. Determine what type of amenities you are looking for; the proximity to your job, distance to area schools or public transportation. Nail down a minimum requirements list; writing down all of the things you require to even consider that home. Also, make a wish list with all of the things that you'd like your home to have but aren't necessarily a requirement.

Tools to help – Utilize online tools to help you through the process of searching for a home. There are many websites and mobile apps that are easy to use and can show you exactly what you are looking for, from the square footage to neighborhood amenities. Here is a short list of recommended resources:

- [Trulia.com](http://Trulia.com)
- [Homefinder.com](http://Homefinder.com)
- [RealEstate.com](http://RealEstate.com)
- [HUDHomestore.com](http://HUDHomestore.com)
- [REALTOR.com](http://REALTOR.com)

Feeling excluded? – The last thing you need while searching for your new home is to feel excluded from any neighborhood or home. If you feel discriminated against or not welcomed on the basis of race, religion, sex, nationality, familial status or disability, contact the HUD Office of Fair Housing at 800-669-9777 (800-927-9275 for the hearing impaired)

Information on local schools – Find information on local schools and school systems by contacting the city or county governments, the school board, or school evaluation sites

such as [GreatSchools.org](http://GreatSchools.org) or [SchoolDigger.com](http://SchoolDigger.com). You can also ask your real estate agent if they have any knowledge about schools in that area.

Community Resources – Find information on community resources by contacting the local chamber of commerce for informational literature or ask your real estate agent about welcome pamphlets and other welcome materials. You can also pay a visit to your local library for city events and resources.

Questions about home pricing? – Ask your real estate agent for comparable listings in order to get a more clear view on how much homes are selling for in certain communities or neighborhoods.

Property tax liability – Property tax liability is the amount of taxes you are legally obligated to pay each year. You can find information on the property tax liability by looking at the previous years' total property tax amount in the property listing information. If you are not able to find the previous years' property taxes in the listing information, contact the seller for a tax receipt. Remember that tax rates can change on a yearly basis. You can deduct property taxes on your tax return. Ask your real estate agent for more details on the tax benefits and liabilities.

Deciding between an older or newer home – When trying to decide whether to go for an older home or a newer home, keep in mind that older homes usually have lower tax rates, are sometimes in more established neighborhoods, and offer more ambience but may require more repairs and maintenance. Newer homes usually feature modern and updated architecture and home systems and are easier to maintain. If you opt for a newer home, note that there will be less to worry about upkeep and repairs initially.

Things to look for during your walk through – You've decided on your minimum requirements and wish list, now it's time for the specifics. Carefully walk through the house. Pay special attention to things such as the floor plan, the structure, bedrooms and bathrooms, or whether anything needs to be replaced. It may be a good idea to ask your real estate agent for their professional opinion of the home.

Questions to ask when looking at homes – A majority of the questions you ask should be about potential problems or maintenance issues that may arise in the house. Ask about potential repairs and ongoing maintenance (i.e. roof, paint, carpet). Make sure to ask as many questions as necessary so that you know as much as you need to know about that house.

How to stay organized - If possible, take photos of the houses you visit. Take a photo of the outside of the house and the rooms you like and don't like, to reference later. You shouldn't be too shy to ask your real estate agent to take you back for a second look.

## **You've Found Your Dream Home! Now What?**

What do home inspectors do? – A home inspector will check your potential home for safety. The home inspector will only tell you what needs to be repaired and mainly focus on the mechanical systems, structure and construction of the house.

Do not rely on a home inspector to give your insight on whether or not you are getting a good deal on the house, that is not their job. They will, however, give you prices on repairing things such as the home's structure, exterior features, roof, plumbing, electrical systems, HVAC System, interior items, ventilation, appliances, fireplace, etc. Make sure to hire a professional home inspector whom you trust to give accurate information on what you'll need to have repaired in the home.

You have two options when it comes to protecting yourself from buying a home with more repairs than you are willing to fix.

- Get an inspection before you do any paperwork, this will alleviate any regret after you purchase your home, all HUD homes are sold "as-is".
- When negotiating for the home, include an inspection clause in your offer. If any serious problems are found, an inspection clause gives you an "out" on purchasing the home or if repairs are needed, the clause offers you the ability to re-negotiate the selling price.

Should you be present for the inspection? - It is not required that you are present for the inspection but it may be a good idea. Being there gives you the chance to ask the inspector general maintenance questions. The home inspector can also explain to you the details on the report and give you an unbiased opinion on the home you are about to purchase.

Should you get any other types of inspections? – You should get a more detailed inspection if your home inspector finds a specific problem. It wouldn't hurt to get your home inspected for potential health-related risks like radon gas, asbestos, water leaks or waste disposal.

Questions about Lead in the home... - If you have small children and the home you are preparing to purchase was built before 1978, you should get a lead-based paint inspection. Remember that if lead based paint is present, it could be in the home and in the soil outside of the home. Permanently fix the problem by hiring a lead abatement contractor to seal any damaged areas and remove paint chips.

Is a lawyer necessary to buy a home? – Depending on what state you live in, you may or may not need a lawyer to purchase a home. Some states require buyers to have a lawyer's assistance throughout the process and other states do not. Although you may live in a state that doesn't require a lawyer to buy a home, you may still want to

consider hiring one. Lawyers are helpful in the home buying process because they can help close your property and carefully review contracts and inform you of any special considerations. Your real estate agent might be able to help you find a good lawyer, if not, ask friends and family and shop around. Make sure that the lawyer you choose has experience representing homebuyers.

### Is homeowner's insurance really necessary?

Yes. You must provide a copy of a homeowner's insurance policy receipt at the closing of your home. Speak to your real estate agent about how this is done. Insurance agents are a great source of home safety information and they can help you save money by providing tips on how to keep your premiums low.

### How to lower homeowner's insurance costs?

In order to keep homeowner's insurance costs down make sure to shop around before committing to any one carrier.

Think about the cost of insurance when you are looking at potential homes with these questions in mind:

- Is the home close to a hydrant or fire department?
- Is the area you are in prone to natural disasters such as flooding?

Also, keep in mind that brick homes and newer homes usually have lower insurance premiums. You can also insure your home and car with the same company increase your home security or use your alumni or business associations for group coverage.

### Flood insurance information

Make sure you ask your real estate agent if the house you are interested in is in a low-lying area. Low-lying areas are at risk for flooding. If the home is located adjacent to a creek or river, it may be in a flood plain. A good way to tell if your home is located in a flood plain is if you are required to purchase flood insurance. If you've asked your real estate agent or lender and they tell you the home is near a flood plain you have the option to get flood insurance, if you choose to do so.

### Other issues to consider before buying

Ask if you are in an area close to hazardous materials. Make sure the house meets all building codes and consider zoning laws in case you want to add onto or remodel in the future.

### Time to make an offer!

Your real estate agent can tell you everything you need to know about making an offer, which will probably include:

- ✓ Complete description of the property
- ✓ Details on the deal
- ✓ Amount of earnest money to be paid
- ✓ Down payment with financial details
- ✓ Estimated move-in date
- ✓ Estimated closing date
- ✓ Length of time your offer will be valid

It takes more than just making an offer to commit to a sale. You must negotiate a contract that both you and the seller will be happy with.

### How much should your initial offer be?

Remember when talking to the selling agent about pricing, they work for the seller so be sure to ask them to keep your conversation confidential. Ask your real estate agent's advice but go with your gut when trying to decide on a fair price. Think about these things when calculating your offer:

- ✓ The area of the home
- ✓ The condition of the home
- ✓ How long the home has been on the market
- ✓ Financing

After considering these factors, you should have a good idea of a fair price for the home. Be prepared for a bit of negotiating between you and the seller, as this is normal when purchasing a home. Do not let yourself become negotiated outside of your initial price point. Staying within your budget will present less stress and worry for you in the future.

### Earnest Money: What is it and how much should you have saved?

The earnest money is an amount of money the buyer puts down to show honest intentions towards purchasing the home. The earnest money is usually 1-5% of the purchase price; although the amount is subject to vary depending on circumstance. If your offer to purchase is accepted, the earnest money will go towards your down payment or closing costs. If your offer is not accepted you will get your earnest money back. If you back out of the deal you usually do not receive any of the earnest money back.

## Should you consider a home warranty?

Home warranties, like many other warranties, offer protection against potential problems that may get pricey, such as appliance or home system repairs that are not covered under homeowners insurance. Warranties are a good thing to consider because coverage starts after you close, meaning you are protected during a time when many new homeowners are strapped for cash.

## **Let's Talk Finance**

### The Basics: Mortgage

A mortgage is a loan obtained by the buyer to purchase property. The mortgage itself is a charge put on the property securing the promise to pay. There is a principal and interest attached to every mortgage.

**Mortgage Insurance:** If you plan to make a down payment of less than 20% of the purchase price, you will need to purchase mortgage insurance. Mortgage insurance protects lenders against losses that result from defaults on a home mortgage.

### Loan to Value Ratio (LTV)

The loan to value ratio is essentially the amount of money you borrow in comparison with the amount of the home you wish to purchase. Loans have different LTV values. **Example: With a 90% LTV loan on a home priced at \$65,000, you would have around \$58,500 to borrow, leaving you with a down payment of \$6,500.**

The amount of equity borrowers have on their home is reflected in the LTV ratio. If you have a high LTV, you won't have to put down a large down payment. Because of this, in order to protect lenders from default and potential loss, higher LTV loans will most likely require a mortgage insurance policy.

DECIDING ON THE RIGHT LOAN FOR YOU			
LOAN TYPE	MORTGAGE TYPE		BENEFITS
<b>Fixed Rate Mortgage:</b> The interest and principal remain the same throughout the life of the loan	<u>15 Year:</u> -Made at lower interest rates -Build equity faster, making early payments pay into the principal of the loan	<u>30 Year:</u> -Larger tax deductions after the first 23 years because more interest was paid than principal -Mortgage payments are a smaller part of overall expenses	You have a predictable payment for the entire time you are paying the loan back and you don't have to worry about interest rate changes and/or inflation
	<u>Balloon Mortgage:</u> -Initial interest rates are low with larger portion of loan to be paid closer to the end of loan period	<u>Two-Step Mortgage:</u> -One interest rate for the first 5 to 10 years of loan term, interest rates change for the remainder of the loan term	
<b>Adjustable Rate Mortgage (ARMS):</b> The interest on the loan changes periodically to reflect changes in the market			ARMs usually offer low interest rates initially with the potential to pay a lower monthly payment. Borrower may qualify for a larger loan

Why would you choose an adjustable rate mortgage?

Choose an adjustable rate mortgage if you are sure that your income will increase over the next couple of years. Buyers who plan to move shortly after purchasing their home often use an adjustable rate mortgage because they are not worried about increases in interest rates.

It's possible to pay off your loan early, right?

Absolutely! If you want to pay off your loan a bit earlier than planned, you can either send in a little extra each month (informing the lender to apply the extra towards the principal) or you can make an extra payment at the end of the year. Either of these options will reduce your repayment time considerably. Also when thinking about

prepaying a mortgage loan, keep in mind that lenders often charge a loan pre-payment penalty. Call your lender for more details.

### Perks for first time homebuyers?

Many lenders now offer affordable mortgage programs to help first time buyers purchase a home with less financial obstacles. Lenders may be able to help unconventional buyers with things such as down payments, closing costs, credit issues and irregular income.

### How much should your down payment be?

Some mortgage options now only require the buyer to put down 5% of the purchase price. The larger your down payment, the less you will have to borrow, the less your interest accruals will eventually be and the more equity you will have in your home. Consider that if you choose a mortgage with less than 20% down payment, you will be required to purchase mortgage insurance, as the lender will want security in case of default on the loan. When determining your down payment, remember you will need to save money for moving expenses, purchases for your new home and potential repairs.

### What's in a mortgage and what affects payments?

Your monthly mortgage mostly pays off the principal of the loan and the interest that has accrued. Some lenders include taxes, homeowner's insurance and, if you have it, mortgage insurance.

Factors that affect your payments will include how much you put down, the interest rate, how long you are repaying the loan and the repayment schedule.

### Interest rates and your mortgage

Low interest rates are ideal because they allow you to borrow more money while paying the same monthly payment as having a high interest rate. Interest rates may go up and down as you are shopping for a loan so be sure to ask your lenders about "rate lock-ins". A rate lock-in is a guarantee from a mortgage lender that they will give you a certain rate at a specific price for a set period of time. Remember to talk to your lender about the annual percentage rate (APR) of your loan. The APR is the annual rate lenders charge for borrowing money. The APR usually includes all fee and additional costs included in the terms of your mortgage.

## Fixed rate loans when interest rates decrease

Experts say that if you plan to be in your home for a long time and your interest rates decrease, it may be in your best interest to refinance. Refinancing your home is essentially getting a new loan to take the place of your old loan. Long time borrowers who refinance usually have better credit ratings and more job security than when they originally borrowed, allowing them a better mortgage rate. When refinancing, there will be origination and application fees and you may have to pay some of the same fees you paid when originally closing on the home.

## Discount points explained

Discount points are prepaid interest borrowers can buy that will lower the amount of interest you pay on your loan after the points are purchased. Discount points are usually 1% of the total loan amount. Most borrows allow one point to lower your interest rate one-eighth to one-quarter.

Example: For a loan of \$150,000, points would cost \$1,500. If your interest rate is 5% with each point lowering the rate .25%, if you buy two points, this will cost you \$3,000, your interest rate will drop down to 4.50%.

Discount points are a good idea if you plan on staying in your home for many years, as you'll get a lower interest rate and the time it takes to pay off the mortgage is much shorter. Discount points are tax deductible for the year they are purchased.

## Are escrow accounts a necessity?

No. While escrow accounts are not a necessity, they are a very handy tool to use for paying things such as homeowners insurance, mortgage insurance (if you are required to have it) and property taxes. Lenders establish an escrow account for you to set aside a certain amount of your monthly mortgage payment to pay the annual charges above. Escrow accounts are handy because they ensure money is available to take care of these costs. When using an escrow account to pay property tax or homeowners insurance, you are not responsible if a payment is made late as it's the responsibility of the lender to make the payments.

## Steps To Get a Loan

### Loan application information

Your first step in getting a loan is applying for one. Here are some of the things you'll need to apply:

- ✓ Pay Stubs from the past 2-3 Months
- ✓ W-2's from the past 2 years
- ✓ Information on long term debt
- ✓ Recent bank statements
- ✓ Tax returns for the past 2 years
- ✓ Proof of any other income
- ✓ Address and information about the property you plan to buy
- ✓ Sales contract

During the application process here are some things to expect from your lender:

- ✓ 1 Credit check during your pre-loan application
- ✓ 1 Credit check after you've been approved
- ✓ 1 appraisal of the property

The entire application process usually takes between 1 and 6 weeks.

### How to choose the right lender

Choose your lender very carefully. Make sure the lender is financially stable and has a reputation for customer satisfaction. Local lenders are preferable; they make it easier for you to monitor the progress of your application and ask questions. Ask your family, friends and real estate agent for suggestions and do your research.

### The difference between pre-qualifying and pre-approval

Being pre-qualified for a loan is the unofficial way for lenders to tell how much you may be able to borrow. You can be pre-qualified by telling the lender your long-term debts, income and how much of a down payment you will be able to afford. This helps you to have a ballpark figure of how much you may be able to spend on a house.

Pre-approval is the lenders commitment to lend to you. It consists of gathering financial records mentioned in the above [loan application information](#) and going through the pre-approval process. Being pre-approved will give you a better idea of what you can afford.

## Knowing your credit score and history

Getting your credit report is as easy as requesting one. Once you receive your credit score, go through it with a fine-toothed comb for accuracy. Pay close attention to the “high credit limit,” “total loan” and “past due” columns. The three major credit-reporting companies are Equifax, Experian and Trans Union. It may be a good idea to get a report from all three companies to make sure there are no mistakes. There are numerous websites to get a free credit report, such as [creditkarma.com](http://creditkarma.com).

Company Name	Website
Experian	<a href="http://www.experian.com">www.experian.com</a>
Equifax	<a href="http://www.equifax.com">www.equifax.com</a>
Trans Union	<a href="http://www.transunion.com">www.transunion.com</a>

## If you find mistakes on your credit report...

You can write to the credit reporting bureau associated with the mistake. Clearly point out the error and provide proof of the mistake. You are also able to request that comments be made on behalf of your account.

Example: A car payment was paid late due to a death in the family. Lenders usually understand when it comes to reasonable, legitimate issues.

## What’s a credit score and how do lenders use them?

Based on your credit history, a credit score is a number lenders use to determine your ability to successfully pay back a loan. Lenders use your credit score to help determine if you will qualify for a mortgage loan. The higher your credit score, the better the chances you will be approved for a loan. Ask your lender for more information.

## How to improve your score

Improving your credit score isn’t easy, but it is possible. At the very least, maintain a good credit history by always paying your bills on time and not making any purchases that you may not be able to afford.

## **Finding YOUR Loan**

### Choosing the best loan program for you

Deciding which loan program is best for you depends on your personal situation. Ask yourself these questions:

- Are you prepared to commit to living in this home for many years?
- Are you comfortable with mortgage payments that often change?
- Do you expect to receive a pay raise in coming years
- At what age do you want to finish paying off the mortgage?

Answering these types of questions can help you and your lender choose a loan that you feel most comfortable with.

Once you decide on the type of loan you'd like, it's smart to compare loan terms between lenders to find the best term for you at this time. Write a checklist with all of the information you require from each lender. Include company name, number, type of mortgage, interest rate and points, closing costs, if pre-payment is allowed, loan processing time and the minimum down payment required.

Speak to each company, making sure to contact each name on your list within a day as interest rates can change daily. Also, ask your real estate agent if they have any suggestions or a database of lenders and mortgage options.

### Paying for the loan origination process

When you turn in your loan application, you will be responsible for paying a loan application fee. This fee covers the credit analysis required to grant you your loan. This fee may also cover the bank appraisal of your home, your credit report and any additional charges that may occur. The application fee is usually non-refundable.

### How the Real Estate Settlement Procedures Act (RESPA) protects you

The Real Estate Settlement Procedures Act, or RESPA, is a lender requirement to disclose information to the potential borrower throughout the mortgage process. RESPA protects potential borrowers from being taken advantage of by the lender. The act requires lenders to fully inform borrowers about all costs associated with the loan, as well as any business relationships between closing service providers and other parties associated with the transaction.

For more information on RESPA call 1-800-569-4287

## How a good faith estimate can help you

Use your lender required good faith estimate to predict the total dollar amount of the fees you will be paying throughout the purchasing process including closing costs, appraisal fees and any other fees and escrow costs paid before closing. The lender supplies this estimate within three days of your application to help you make a clear decision when shopping for a loan.

## Other lender responsibilities

Lenders are required to provide service to all who request it. If you feel discriminated against based on race, color, religion, nationality, sex, familial status or disability, contact this number 1-800-669-9777 (for hearing impaired, 1-800-927-9275).

## Your responsibilities during the lending process

Follow these steps when applying for a loan:

- ✓ Read and understand everything before you sign
- ✓ Do not sign any blank documents
- ✓ Do not misreport your income
- ✓ Do not misreport how long you have been employed
- ✓ Do not misreport your assets
- ✓ Report your debt accurately
- ✓ Be truthful about all gifts, income tax returns and co-borrowers
- ✓ Be truthful about your credit
- ✓ Be honest about your intent to occupy the house
- ✓ Do not provide fake supporting documents

## **Closing Time**

### You've applied for a loan, now what?

Remember, it takes a lender between 1 and 6 weeks to completely evaluate your loan application. Be prepared for the lender to ask for more information after you've submitted your application, the sooner you provide the information they've asked for, the faster the application will be processed. Once all of your information has been reviewed and verified, the lender will contact you with the outcome of your application. If you are approved, the lender will review the closing with you and set up a closing date. Once your property has closed, you will be able to move into your new home!

## Things to look for during the final walk through

Carefully check the walls and ceilings, as well as any previous work that needed to be done according to the inspection. If you find any problems, it is extremely important to bring them up before the property closes to ensure you are not left with the cost of repairs.

## What is a closing agent and how to choose one

A closing agent is a licensed attorney or firm who coordinates all of the necessary steps to close properties. Your closing agent will handle all legal documents related to the closing of your home and distribute any funds owed to you or the seller. On closing day, the closing agent will prepare a settlement statement (breakdown of costs involved in completing the transaction), ensure all documents have been signed and finally, issue you the deed to your new home.

When looking for a closing agent, ask your real estate agent about a closing agent they've had a good experience with. Make sure your closing agent has done many closings related to your circumstances and is knowledgeable in local real estate laws. Shop around to make sure you are getting a fair rate and, most importantly, find a closing agent you feel comfortable asking questions to. Closing is the last step in your purchase and you want be confident when you leave the closing agent's office that everything has been explained and all of the closing requirements have been fulfilled.

## What are closing costs?

Closing costs are the expenses buyers incur in order to complete the real estate transaction. Some closing costs are based on the area you live in, but they are usually made up of the following:

- ✓ Attorney's or escrow fees (both yours and the lender's if applicable)
- ✓ Property taxes, covering tax period to date
- ✓ Loan origination fee
- ✓ Recording fees
- ✓ Survey fee
- ✓ First premium of mortgage insurance (if applicable)
- ✓ Title insurance (both yours and the lender's)
- ✓ Loan discount points
- ✓ First payment to escrow account for future real estate taxes and insurance
- ✓ Paid receipt for homeowners insurance policy
- ✓ Documentation preparation fees

### What happens on closing day?

On closing day, after you present the receipt for your paid homeowners insurance policy, the closing agent will inform you of any money you owe to the seller and any money the seller may owe you. The closing agent will give you copies of any inspections or warranties provided by the seller.

Once all of the paperwork has been explained, you will sign the mortgage and mortgage note, agreeing that if you do not make payments the seller has the right to sell your property and apply the sale price against the amount you owe plus expenses. The closing agent will present the title to the house in the form of a signed deed. Once you pay all closing cost to the closing agent, they will provide you the settlement statement that includes all of the items you have paid for; the deed and mortgage will be recorded in the state Registry of Deeds and you will then officially be a homeowner.

What you take home at closing – Along with the keys to your new home you will receive some pretty important documents on closing day including:

- ✓ Settlement statement, Closing Disclosure Form
- ✓ Truth-in-Lending Statement
- ✓ Mortgage Note
- ✓ Mortgage or Deed of Trust
- ✓ Binding Sales Contract (should be reviewed by your lawyer)