



"A HUD Certified Housing Counseling Agency"

Dear Future Homeowner:

We are so happy you have chosen HEA as your housing education provider, housing counseling agency and your personal advocate during the home buying process. We have helped over 18,000 families purchase their first homes here in Tampa Bay since 2002.

Your first step toward home ownership is enrolling in HEA's Homebuyer Education Class, HomeTRACK. This class will provide you with many of the generic answers to the questions you may have regarding homeownership and the home buying process.

To take the next step of meeting with a housing counselor to discuss your personal situation you are required to fill out the Intake Form and corresponding documents attached. Sign where indicated and attach copies of all documents required. **A counselor will not be able to effectively analyze your situation and guide you without this paperwork and the corresponding documents available for review.** This will ensure a more seamless process while you go through the steps required to become a successful homeowner.

Due to company policy and government reporting requirements, a counselor will not be able to meet with you until these documents are received and reviewed. Within three days of receipt of required signed documents and copies of paperwork needed you will be contacted to set up an appointment.

If you do not have a lender, we work closely with mortgage lenders who have extensive experience with first-time homebuyers and down payment assistance programs and offer a variety of additional programs of their own. Part of our services is to recommend at least three lenders that are best for you. Additionally, we are able to refer you to the right realtors who are familiar with the area you wish to purchase in.

Our Preferred Realtors are chosen due to their experience and professionalism when it comes to working with first time homebuyers. They are vetted to ensure quality service to their clients.

We look forward to helping you with your home ownership needs and are grateful to be a part of your home buying adventure. Happy Home Hunting!

9215 N. Florida Avenue, Suite 104, Tampa, FL 33612 PH (813) 932-4663 - FAX (813) 932-4660

www.heausa.org

www.hometrackonline.org



UNIT 1



The “Am I Ready to Buy a House” Checklist

If you're considering buying your first home, you probably have a list of “must-have” features. It might be as simple as three bedrooms, two baths. Or maybe your checklist includes a breakfast nook, stained glass windows, a home theater and a claw-footed bathtub.

Regardless, you've put a lot of thought into what you want out of a home.

But many people fail to give that same consideration to their financial situation and to whether they're truly ready to become a homeowner. Many people are not quite ready for the financial responsibility of home ownership, and jumping in before you're prepared can result in significant financial harm.

So, how do you determine if buying a house is a good money move? Here's a checklist of financial and personal goals to accomplish before you set out to buy that first home:

You're a budget mastermind

Were you born with the innate ability to manage a budget? Probably not. Budgeting skills have to be learned, successful money-management is often the product of a lot of practice. If you're a good budgeter, you:

- Know where your money comes from, and where it's going, each and every month
- Payoff your monthly expenses without going into debt
- Funnel a portion of your monthly budget into savings

If this sounds like you, you can check off this box!

Debt doesn't control your life

Bear in mind that a mortgage is debt. It's great investment, but it's still an obligation that you have to pay off.

Before you buy a house and enter into more debt, gain control of debt you already have. High interest debt should be your first target, and something you should pay down before you buy a house.

But having some debt doesn't preclude you from buying a home. For example, lower-interest debts like student loans and car payments can typically be managed alongside a mortgage payment. If you've worked the payment of these debts into your monthly budget, and you're paying them off at a reasonable rate, you might be ready to buy your first home.

You're ready to be landlord-less

Landlords can come in handy when something breaks. They'll get it taken care of, and foot the bill too!

But when you own your home, you won't have a landlord to depend on. When anything breaks or wears out, it will be your responsibility to fix it. And you'll have to pay for it too.

A lot of people gloss over this area of homeownership. Be sure you think honestly about whether you're ready to take on that kind of responsibility.

You have a sizable emergency fund

So how are you going to pay for those [home emergencies](#)? Every financially responsible adult should have an emergency fund. Not only will this help cover the cost of any home disasters, but it will help cover your mortgage payment and other monthly bills if you happen to get sick, lose your job, or encounter other unexpected events.

Your income is reliable

When you take on a mortgage, you're entering into a serious long-term financial commitment. You need to be confident that you'll be able to afford your mortgage payment a year from now, 10 years from now and even 20 years from now.

You should have a stable income as well as at least one to two years of employment history at your current job.

If you have any doubts about your job or financial situation, don't buy a house! Not being able to afford your mortgage could have serious implications.

You have a decent credit score

Most mortgage companies have a minimum credit score requirement to obtain a mortgage. Getting a mortgage with a poor credit score may mean a higher interest rate, and that you'll end up paying more over the life of your loan.

Generally speaking, having a [better credit score](#) means that you pay less to own your home. So, before you become a homeowner, beef up that credit score.

You're ready to make the commitment to stay in one place

You should be able to live in the same place for at least five years. The graduate student who is looking to travel the world, for example, is not a good candidate for homeownership. It doesn't make financial sense to buy a home if you're not really ready to settle down.

You've saved for a down payment

Most mortgages require a down payment. The larger your down payment, the less interest you'll end up paying on the loan. If you can save up the thousands of dollars required for a down payment, chances are, you're in a good financial place to make a home purchase.

Buying a home is a serious commitment—and likely the biggest financial decision you'll ever make—so it's important to make sure you're absolutely ready.

HomeTRACK Important Concepts - Unit One

Looking back at what we have discussed in Unit One, the following are the four most important ideas that you should focus on when looking to purchase a home:

1) There are Pros and Cons to Homeownership

- a. *Not everyone should buy a home.* We all have the right to be a homeowner but it is not always "right" for everyone to buy a home. We must consider the following concepts before we decide to buy a home...
- b. *Buying a home is a long-term commitment.* We must take into consideration if the time is right for us to be a homeowner. If we are in a position where our life may be changing in two to three years, then the up-front cost of buying a home may not be worth the commitment to homeownership. In this case, renting for that period should be seriously considered.
- c. *Owning a home means there will be repairs.* When you rent and something in the home breaks, it is the landlord's responsibility to repair it. When you own a home, the responsibility of fixing whatever breaks is on you! You must be able to save money for these inevitable repairs. Some repairs are simple and rather inexpensive such as replacing a light switch or doing some caulking. However, some repairs can be quite expensive and are not covered under insurance. Things like replacing a hot water heater or a furnace may cost from hundreds to thousands of dollars. It is going to be crucial that you are able to save a good amount of money each month until you have an emergency fund of a few thousand dollars.
- d. *Planning for the Future.* Buying a home is a great way to invest for the future. The money you pay toward a home will eventually pay off the home so you will own it. While this is a good thing, you will need to consider that the house that is right for you today may not be the house that is right for you tomorrow. A young married couple may find that a two bedroom home suites them nicely, but after having a couple of children, they may find that house too small for their family. A middle-aged home-buying couple may decide to buy a split-level home but in a few years begin to realize that as they get older that stairs are hard for them to deal with. Moving into a new home always comes with cost, so when buying a home, look at what your anticipated family needs will be in ten, twenty or even thirty years from now.

2) Conducting a Self-Assessment of your own Homeownership Readiness

- a. *Budget* - Are you keenly aware of how you are spending your money? If you are not using some sort of budgeting device you are just spending haphazardly. Unless you are able to focus in and take the time to track your spending you are probably not ready to take on the financial responsibility of homeownership. In budgeting you need to:
 - i. Know where your money is coming from and if it is stable and can be counted on so you can make a monthly house payment
 - ii. Know where your money is going, each and every month
 - iii. Be able to Pay off your monthly expenses without going into debt
 - iv. Set aside a portion of your money every month for savings
- b. *Debt* - Remember, that while buying a home is an investment, the mortgage is a debt. Make sure you have current debt under control before you buy a home. There are a lot of things you will need in that new home like furniture, small appliances, lamps and rugs. You can be easily tempted to buy these things on credit and this will add to your debt load and your ability to save money for repairs, not to mention the stress that comes with being in debt!
- c. *Savings* - Enough cannot be said about having a sizeable amount of savings when you buy a home. If you spend all your savings to get into a home, it will take you quite a while to save that money again. If a major appliance goes out during that time, such as a stove or a refrigerator, and you do not have the money saved back when it does, you will be forced to go into debt to replace them. Make sure that the day you close on your home that you still have a good amount of money in the bank.
- d. *Employment* - Do you have a stable job and are you pretty confident that the job you have will be around for a while? No one can control what their employer does, but you can feel more confident about the security of your job if you have held it for a couple of years. If you are new to a job, buying a home should wait until you are sure that job is going to work out.
- e. *Commitment* - As mentioned before, buying a home is a big commitment. Someone who is not sure they are going to be in an area for long would be wiser to rent a place to live.
- f. *Downpayment*. Do you have a sizable amount of money saved to put down on a home? Beware of loans that advertise "No Money Down".

The more money you put down on your home means the less money you have to borrow from the bank. The more money you borrow from the bank means the more money you will pay back in interest. The wise homebuyer puts as much as they can down when they buy a home.

3) Calculate your Personal Housing Affordability

- a. Your house payment should never exceed 29% of your total gross monthly income.
 - i. Gross Monthly Income means the amount you make before any deductions are taken out by your employer.
 - ii. Take your gross monthly payment and multiply it times .29. This will show you what you should not exceed for a house payment. NOTE: The 29% for a house payment includes taxes and insurance payments also.
- b. Your total debt combined should never be more than 41% of your total gross monthly income.
 - i. Take your gross monthly payment and multiply it times .41. This will show you what you should not exceed on for all debt.
 - ii. NOTE: All debt means the following five - House Payment, Car payments, Minimum Monthly Credit Card Payments, Personal Loan Payments and School Loan Payments. This does not include utilities such as phone or electricity payments.

4) The Four C's of Credit

It is important that you understand that banks look at credit four ways. The following is a breakdown of the way a bank look at credit. By understanding these four concepts, you will be better prepared to speak to a lender about purchasing a home:

- a. "CAPACITY" - The ability to pay back the loan - this is why they ask you for proof of income
- b. "CHARACTER" - This means how well you pay your debts now - this is why they look at your credit report

- c. "COLLATERAL" - This means the house you want to buy must be worth what you are willing to pay for it and determines how much they are going to loan you to buy it - this is why they do an appraisal
- d. "CAPITAL" - This means that you have some money saved up to make the house payment if an emergency happens and to identify where your down payment is coming from - this is why they want a copy of your bank statements

If you feel like you have a good understanding of these four main concepts in Unit 1, then you are ready to move forward to Unit 2. If you feel you may want more information on any of these topics, feel free to look at those sections again, or you can ask your local Housing Counselor at a HUD approved Housing Counseling Agency. You can find the nearest one to you at:

http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor



UNIT 2



HUD Approved Housing Counseling Agency

CLASS DATE: _____

BUDGET

Applicant Name _____

Co-Applicant Name _____

MONTHLY INCOME

Gross Monthly \$ _____
 Net Monthly \$ _____
 Child Support \$ _____
 Alimony \$ _____
 Investment \$ _____
 Pension/Retirement \$ _____
 SSI/SSD \$ _____
 Other \$ _____

Gross Monthly \$ _____
 Net Monthly \$ _____
 Child Support \$ _____
 Alimony \$ _____
 Investment \$ _____
 Pension/Retirement \$ _____
 SSI/SSD \$ _____
 Other \$ _____

TOTAL INCOME \$ _____

TOTAL INCOME \$ _____

MONTHLY EXPENSES – complete below for all expenses

Rent \$ _____
 Renters Insurance \$ _____
 Mortgage (P & I) \$ _____
 Property Taxes \$ _____
 Homeowners Insurance \$ _____
 Flood Insurance \$ _____
 Second Mortgage/Loan \$ _____
 HOA/Condo Fees \$ _____
 Home Repair \$ _____
 Electricity \$ _____
 Water \$ _____
 Sewer \$ _____
 Garbage \$ _____
 Cable/Internet \$ _____
 Phone \$ _____
 Phone \$ _____
 Cell Phone \$ _____
 Student Loan \$ _____
 Tuition \$ _____
 School Lunch \$ _____
 Credit Cards \$ _____
 (Minimum Payments)

Credit Cards \$ _____
 (Minimum Payments)
 Car Loan/Lease \$ _____
 Car Insurance \$ _____
 Car Maintenance \$ _____
 Gas/Oil \$ _____
 Child Support \$ _____
 Alimony \$ _____
 Food/Groceries \$ _____
 Eating Out \$ _____
 Recreation \$ _____
 Personal Care \$ _____
 Church/Contributions \$ _____
 Medical Bills \$ _____
 (not covered under insurance)
 Medicines (not covered) \$ _____
 Pet Expense \$ _____
 Other Insurance \$ _____
 Other Expense \$ _____

TOTAL EXPENSES \$ _____

TOTAL INCOME Less TOTAL EXPENSES \$ _____

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www.heausa.org



FREE CREDIT REPORTS

Visit annualcreditreport.com to get your free credit report.

The Fair Credit Reporting Act (FCRA) requires each of the nationwide credit reporting companies –Equifax, Experian, and TransUnion—to provide you with a free copy of your credit report, at your request, once every months. The FCRA promotes the accuracy and privacy of information in the files of the nation’s credit reporting companies. The Federal Trade Commission (FTC), the nation’s consumer protection agency, enforces the FCRA with respect to credit reporting companies.

A credit report includes information on where you live, how you pay your bills, and whether you’ve been sued or have filed for bankruptcy. Nationwide credit reporting companies sell the information in your report to creditors, insurers, employers, and other businesses that use it to evaluate your applications for credit, insurance, employment, or renting a home.

Here are the details about your rights under the FCRA, which established the free annual credit report program.

Q: How do I order my free report?

The three nationwide credit reporting companies have set up a central website, a too-free telephone number, and mailing address through which you can order your free annual report.

To order, visit annualcreditreport.com, call 1-877-322-8228. Or complete the Annual Credit Report Request Form and mail it to: Annual Credit Report Request Service, P.O. Box 105281, Atlanta, GA 30348-5281. Do not contact the three nationwide credit reporting companies individually. They are providing free annual credit reports only through annualcreditreport.com, 1-877-322-8228 or mailing to Annual Credit Report Request Service.

You may order your reports from each of the three nationwide credit reporting companies at the same time, or you can order your report from each of the companies one at a time. The law allows you to order one free copy of your report from each of the nationwide credit reporting companies every 12 months.

A Warning About “imposter” Websites

Only one website is authorized to fill orders for the free annual credit report you are entitled to under law --- annualcreditreport.com. Other websites that claim to offer “free credit reports”, “free credit scores”, or “free credit monitoring” are not part of the legally mandated free annual credit report program. In some cases, the “free” product comes with strings attached. For example, some sites sign you up for a supposedly “free” service that converts to one you have to pay for after a trial period. If you don’t cancel during the trial period, you may be unwittingly agreeing to let the company start charging fees to your credit card.

Some “imposter” sites use terms like “free report” in their names; others have URLs that purposely misspell annualcreditreport.com in the hope that you will mistype the name of the official site. Some of these “imposter” sites direct you to other sites that try to sell you something or collect your personal information.

Annualcreditreport.com and the nationwide credit reporting companies will not send you an email asking for your personal information. If you get an email, see a pop-up ad, or get a phone call from someone claiming to be from annualcreditreport.com or any of the three nationwide credit reporting companies, do not reply or click on any link in the message. It's probably a scam. Forward any such email to the FTC at spam@uce.gov.

Q: What information do I need to provide to get my free report?

A: You need to provide your name, address, Social Security number, and date of birth. If you have moved in the last two years, you may have to provide your previous address. To maintain the security of your file, each nationwide credit reporting company may ask you for some information that only you would know, like the amount of your monthly mortgage payment. Each company may ask you for different information because the information each has in your file may come from different sources.

Q: Why do I want a copy of my credit report?

A: Your credit report has information that affects whether you can get a loan – and how much you will have to pay to borrow money. You want a copy of your credit report to:

- Make sure the information is accurate, complete, and up-to-date before you apply for a loan for a major purchase like a house or car, buy insurance, or apply for a job.
- Help guard against identity theft. That's when someone uses your personal information --- like your name, your Social Security number, or your credit card number --to commit fraud. Identity thieves may use your information to open a new credit card account in your name. Then, when they don't pay the bills, the delinquent account is reported on your credit report. Inaccurate information like that could affect your ability to get credit, insurance, or even a job.

Q: How long does it take to get my report after I order it?

A: If you request your report online at annualcreditreport.com, you should be able to access it immediately. If you order your report by calling toll-free 1877-322-8228, your report will be processed and mailed to you within 15 days. If you order your report by mail using the Annual Credit Report Request Form, your request will be processed and mailed to you within 15 days of receipt.

Whether you order your report online, by phone, or by mail, it may take longer to receive your report if the nationwide credit reporting company needs more information to verify your identity.

Q: Are there any other situations where I might be eligible for a free report?

A: Under federal law, you're entitled to a free report if a company takes adverse action against you, such as denying your application for credit, insurance, or employment, and you ask for your report within 60 days of receiving notice of the action. The notice will give you the name, address, and phone number of the credit reporting company. You're also entitled to one free report a year if you're unemployed and plan to look for a job within 60 days; if you're on welfare; or if your report is inaccurate because of fraud, including identity theft. Otherwise, a credit reporting company may charge you a reasonable amount for another copy of your report within a 12-month period.

To buy a copy of your report, contact:

- Equifax: 1-800-685-1111; Equifax.com
- Experian: 1-888-397-3742; Experian.com
- TransUnion: 1-800--916-8800; transunion.com

Q: Should I order a report from each of the three nationwide credit reporting companies?

A: It's up to you. Because nationwide credit reporting companies get their information from different sources, the information in your report from one company may not reflect all, or the same, information in your reports from the other two companies. That's not to say that the information in any of your reports is necessarily inaccurate; it just may be different.

Q: Should I order my reports from all three of the nationwide credit reporting companies at the same time?

A: You may order one, two, or all three reports at the same time, or you may stagger your requests. It's your choice. Some financial advisors say staggering your requests during a 12-month period may be a good way to keep an eye on the accuracy and completeness of the information in your reports.

Q: What if I find errors --- either inaccurate or incomplete information --- in my credit report?

A: Under the FCRA, both the credit reporting company and the information provider (that is, the person, company, or organization that provides information about you to a consumer reporting company) are responsible for correcting inaccurate or incomplete information in your report. To take full advantage of your right under this law, contact the credit reporting company and the information provider.

1. Tell the credit reporting company, in writing, what information you think is inaccurate.

Credit reporting companies must investigate the items in question ---usually within 30 days --- unless they consider your dispute frivolous. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information. After the information provider receives notice of a dispute from the credit reporting company, it must investigate, review the relevant information, and report the results back to the credit reporting company. If the information provider finds the disputed information is inaccurate, it must notify all three nationwide credit reporting companies so they can correct the information in your file.

When the investigation is complete, the credit reporting company must give you the written results and a free copy of your report if the dispute results in a change. (This free report does not count as your annual free report.) If an item is changed or deleted, the credit reporting company cannot put the disputed information back in your file unless the information provider verifies that it is accurate and complete. The credit reporting company also must send you written notice that includes the name, address, and phone number of the information provider.

2. Tell the creditor or other information provider in writing that you dispute an item. Many providers specify an address for disputes. If the provider reports the item to a credit reporting company, it must include a notice of your dispute. And if you are correct --- that is, if the information is found to be inaccurate --- the information provider may not report it again.

Q: What can I do if the credit reporting company or information provider won't correct the information I dispute?

A: If an investigation doesn't resolve your dispute with the credit reporting company, you can ask that a statement of the dispute be included in your file and in future reports. You also can ask the credit reporting company to provide your statement to anyone who received a copy of your report in the recent past. You can expect to pay a fee for this service.

If you tell the information provider that you dispute an item, a notice of your dispute must be included any time the information provider reports the item to a credit reporting company.

Q: How long can a credit reporting company report negative information?

A: A credit reporting company can report most accurate negative information for seven years and bankruptcy information for 10 years. There is no time limit on reporting information about criminal convictions; information reported in response to your application for a job that pays more than \$75,000 a year; and information reported because you've applied for more than \$150,000 worth of credit or life insurance. Information about a lawsuit or an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer.

Q: Can anyone else get a copy of my credit report?

A: The FCRA specifies who can access your credit report. Creditors, insurers, employers, and other businesses that use the information in your report to evaluate your applications for credit, insurance, employment, or renting a home are among those that have a legal right to access your report.

Q: Can my employer get my credit report?

A: Your employer can get a copy of your credit report only if you agree. A credit reporting company may not provide information about you to your employer, or to a prospective employer, without your written consent.

For More Information

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint, visit ftc.gov/complaint or call 1-877-FTC-Help (1-877-382-4357). The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

Report Scams

If you believe you've responded to a scam, file a complaint with:

- The Consumer Financial Protection Bureau
- The FTC
- Your state Attorney General

March 2013

HomeTRACK Important Concepts - Unit Two

Budgeting and Credit

Great job on the work you did on Unit Two. The following are the key concepts we explored in this unit:

1) The Importance of Goal Setting

- a. Before you can determine where you want to prioritize things like saving and spending, you really need to prioritize what is important to you. In order to do this, the first step is to set your *Goals*.
- b. Setting *Goals* will help you determine the most important things you want to accomplish in the future.
- c. In the exercise we did at the beginning of the unit we took a list of items and ranked them in order of importance. That is what goal setting is all about. You list the things you would like to achieve, rank them in order of importance to you and then, set out a plan that helps you achieve the goals.
- d. If you need some help in this area, reach out to a Housing Counselor, they are trained to assist you in prioritizing and then reaching your goals.

2) Tracking Expenses

- a. As we learned in this unit, you must know where your money is going if you plan on reaching your financial goals.
- b. We challenge you to take up this task and track your family's expenses for at least one week. Once you have done that, you will be able to see where your money is going and how you can be in control of your spending.
- c. After you have done this for one week - try to do for another week - then another. Before you know it, you will be in control of your financial destiny!

3) Setting Up a Spending Plan

- a. Once you have begun to track where you are spending your money, the next step is to create a Spending Plan so that you can decide where you are going to use your money before you spend it.
- b. Spending Plans do not have to be complicated. Some people like to do it on their computer using programs such as Excel, while others simply use a legal pad or a notebook to write out your plan. Either way, a Spending Plan puts you in charge. It helps you to say, "This is *my money* and I am going to decide what I do with it!"
- c. Moving forward you should decide what you will use to keep your spending plan on track, will you use a computer or a note pad? Either way, you will never be in control of what happened with your money unless you "Plan" how it will be spent!

4) Budgeting and Spending Tips

- a. As part of creating a Spending Plan we need to do all we can to control expenses. Taking the time to determine how we will use our money is half the job, the other half is making wise spending choices.
- b. There are little things we can do daily to control our spending such as taking the time to think before we buy something. Store owners rely on consumers to do something called "Impulse Buying" in order to make more money. Impulse buying can also blow our Spending Plan. For example, very few of us have Candy on our grocery list, but where does the store owner place the candy? Correct... right at the checkout line where we are waiting... and tired... and hungry ... and vulnerable! When we make that last minute decision to buy that candy bar, we fall prey to "Impulse Buying".
- c. Remember, the only way to keep to a Spending Plan... is to keep to a Spending Plan! Only you can help you do this. You are in control. Be Strong! Make spending decisions wisely and take time to determine if something is in your spending plan before you buy it.

5) Importance of Good Credit

- a. Budgeting is half the job to gaining financial independence, the other half is being mindful of your credit picture.
- b. Credit scores can rise and fall drastically by either doing something right or doing something wrong.
 - i. A credit score will rise steadily if you make a car payment or a credit card payment monthly in a timely manner and by paying at least the minimum monthly payment.
 - ii. A credit score will plummet fast when you miss one of those payments.
- c. Lower credit scores means less access to credit from lenders when you need it. It also could mean you will pay higher rates on your car insurance.
- d. You can get a copy of your credit report once a year for free by going to www.annualcreditreport.com and requesting a copy, or you can reach out to your local Housing Counseling Agency and they will work with you to help you get a copy of your Credit Report... plus they will help you to determine if there is anything you should do to help you improve your credit score.

If you feel like you have a good understanding of these five main concepts in Unit 2, then you are ready to move forward to Unit 3. If you feel you may want more information on any of these topics, feel free to look at those sections again, or you can ask your local Housing Counselor at a HUD approved Housing Counseling Agency. You can find the nearest one to you at:

http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor



UNIT 3

Uniform Residential Loan Application

Verify and complete the information on this application. If you are applying for this loan with others, each additional Borrower must provide information as directed by your Lender.

Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Information

Name (First, Middle, Last, Suffix) _____	Social Security Number _____ (or Individual Taxpayer Identification Number) _____
Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix) _____	Date of Birth (mm/dd/yyyy) _____ / _____ / _____ Citizenship ☐ U.S. Citizen ☐ Permanent Resident Alien ☐ Non-Permanent Resident Alien
Type of Credit ☐ I am applying for individual credit . ☐ I am applying for joint credit . Total Number of Borrowers: _____ Each Borrower intends to apply for joint credit. Your initials: _____	List Name(s) of Other Borrower(s) Applying for this Loan (First, Middle, Last, Suffix) – Use a separator between names _____

Marital Status ☐ Married ☐ Separated ☐ Unmarried (Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)	Dependents (not listed by another Borrower) Number _____ Ages _____	Contact Information Home Phone (____) _____ – _____ Cell Phone (____) _____ – _____ Work Phone (____) _____ – _____ Ext. _____ Email _____
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Current Address
Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____
How Long at Current Address? ____ Years ____ Months **Housing** ☐ No primary housing expense ☐ Own ☐ Rent (\$ _____ /month)

If at Current Address for LESS than 2 years, list Former Address ☐ **Does not apply**
Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____
How Long at Former Address? ____ Years ____ Months **Housing** ☐ No primary housing expense ☐ Own ☐ Rent (\$ _____ /month)

Mailing Address – if different from Current Address ☐ **Does not apply**
Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____

1b. Current Employment/Self-Employment and Income

☐ **Does not apply**

Employer or Business Name _____ Phone (____) _____ – _____ Street _____ Unit # _____ City _____ State _____ ZIP _____ Country _____	Gross Monthly Income Base \$ _____ /month Overtime \$ _____ /month Bonus \$ _____ /month Commission \$ _____ /month Military Entitlements \$ _____ /month Other \$ _____ /month TOTAL \$ _____ 0.00/month
Position or Title _____ Start Date ____ / ____ / ____ (mm/dd/yyyy) How long in this line of work? ____ Years ____ Months	Check if this statement applies: ☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.
☐ Check if you are the Business Owner or Self-Employed ☐ I have an ownership share of less than 25%. Monthly Income (or Loss) \$ _____ ☐ I have an ownership share of 25% or more. \$ _____	

1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income☐ Does not apply

Employer or Business Name _____ Phone (____) ____ - ____
Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____

Position or Title _____**Start Date** ____ / ____ / ____ (mm/dd/yyyy)

How long in this line of work? ____ Years ____ Months

Check if this statement applies:☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ **Check if you are the Business Owner or Self-Employed** ☐ I have an ownership share of less than 25%. **Monthly Income (or Loss)**
☐ I have an ownership share of 25% or more. \$ _____

Gross Monthly Income

Base \$ _____ /month
Overtime \$ _____ /month
Bonus \$ _____ /month
Commission \$ _____ /month
Military Entitlements \$ _____ /month
Other \$ _____ /month
TOTAL \$ _____ **0.00/month**

1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income☐ Does not apply**Provide at least 2 years of current and previous employment and income.**

Employer or Business Name _____
Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____

Position or Title _____**Start Date** ____ / ____ / ____ (mm/dd/yyyy)**End Date** ____ / ____ / ____ (mm/dd/yyyy)☐ **Check if you were the Business Owner or Self-Employed****Previous Gross Monthly Income \$** _____ /month**1e. Income from Other Sources**☐ Does not apply**Include income from other sources below. Under Income Source, choose from the sources listed here:**

• Alimony	• Child Support	• Interest and Dividends	• Notes Receivable	• Royalty Payments	• Unemployment
• Automobile Allowance	• Disability	• Mortgage Credit Certificate	• Public Assistance	• Separate Maintenance	Benefits
• Boarder Income	• Foster Care	• Mortgage Differential	• Retirement	• Social Security	• VA Compensation
• Capital Gains	• Housing or Parsonage	Payments	(e.g., Pension, IRA)	• Trust	• Other

NOTE: Reveal alimony, child support, separate maintenance, or other income ONLY IF you want it considered in determining your qualification for this loan.

Income Source – use list above	Monthly Income
	\$
	\$
	\$
Provide TOTAL Amount Here	\$ 0.00

Borrower Name: _____

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Section 2: Financial Information — Assets and Liabilities. This section asks about things you own that are worth money and that you want considered to qualify for this loan. It then asks about your liabilities (or debts) that you pay each month, such as credit cards, alimony, or other expenses.

2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have

Include all accounts below. Under Account Type, choose from the types listed here:

- Checking
- Savings
- Money Market
- Certificate of Deposit
- Mutual Fund
- Stocks
- Stock Options
- Bonds
- Retirement (e.g., 401k, IRA)
- Bridge Loan Proceeds
- Individual Development Account
- Trust Account
- Cash Value of Life Insurance (used for the transaction)

Account Type – use list above	Financial Institution	Account Number	Cash or Market Value
			\$
			\$
			\$
			\$
			\$
Provide TOTAL Amount Here			\$ 0.00

2b. Other Assets and Credits You Have

☐ Does not apply

Include all other assets and credits below. Under Asset or Credit Type, choose from the types listed here:

- Assets*

 - Proceeds from Real Estate
 - Property to be sold on or before closing
 - Proceeds from Sale of Non-Real Estate Asset
 - Secured Borrowed Funds
 - Unsecured Borrowed Funds
 - Other

Credits

 - Earnest Money
 - Employer Assistance
 - Lot Equity
 - Relocation Funds
 - Rent Credit
 - Sweat Equity
 - Trade Equity

Asset or Credit Type – use list above	Cash or Market Value
	\$
	\$
	\$
	\$
Provide TOTAL Amount Here	\$ 0.00

2c. Liabilities – Credit Cards, Other Debts, and Leases that You Owe

☐ Does not apply

List all liabilities below (except real estate) and include deferred payments. Under Account Type, choose from the types listed here:

- Revolving (e.g., credit cards)
- Installment (e.g., car, student, personal loans)
- Open 30-Day (balance paid monthly)
- Lease (not real estate)
- Other

Account Type – use list above	Company Name	Account Number	Unpaid Balance	To be paid off at or before closing	Monthly Payment
			\$	☐	\$
			\$	☐	\$
			\$	☐	\$
			\$	☐	\$
			\$	☐	\$

2d. Other Liabilities and Expenses

☐ Does not apply

Include all other liabilities and expenses below. Choose from the types listed here:

- Alimony
- Child Support
- Separate Maintenance
- Job Related Expenses
- Other

	Monthly Payment
	\$
	\$
	\$

Borrower Name:

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Section 3: Financial Information — Real Estate. This section asks you to list all properties you currently own and what you owe on them. ☐ *I do not own any real estate*

3a. Property You Own

If you are refinancing, list the property you are refinancing FIRST.

Address Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. <i>if not included in Monthly Mortgage Payment</i>	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$			\$	\$	\$

Mortgage Loans on this Property ☐ Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance <i>To be paid off at or before closing</i>	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit <i>(if applicable)</i>
		\$	\$ ☐		\$
		\$	\$ ☐		\$

3b. IF APPLICABLE, Complete Information for Additional Property

☐ Does not apply

Address Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. <i>if not included in Monthly Mortgage Payment</i>	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$			\$	\$	\$

Mortgage Loans on this Property ☐ Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance <i>To be paid off at or before closing</i>	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit <i>(if applicable)</i>
		\$	\$ ☐		\$
		\$	\$ ☐		\$

3c. IF APPLICABLE, Complete Information for Additional Property

☐ Does not apply

Address Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. <i>if not included in Monthly Mortgage Payment</i>	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$			\$	\$	\$

Mortgage Loans on this Property ☐ Does not apply

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance <i>To be paid off at or before closing</i>	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit <i>(if applicable)</i>
		\$	\$ ☐		\$
		\$	\$ ☐		\$

Borrower Name:

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Section 4: Loan and Property Information.

This section asks about the loan's purpose and the property you want to purchase or refinance.

4a. Loan and Property Information

Loan Amount \$ _____ **Loan Purpose** ☐ Purchase ☐ Refinance ☐ Other (specify) _____

Property Address Street _____ Unit # _____
City _____ State _____ ZIP _____ County _____
Number of Units _____ **Property Value** \$ _____

Occupancy ☐ Primary Residence ☐ Second Home ☐ Investment Property **FHA Secondary Residence** ☐

1. Mixed-Use Property. If you will occupy the property, will you set aside space within the property to operate your own business? (e.g., daycare facility, medical office, beauty/barber shop) ☐ NO ☐ YES

2. Manufactured Home. Is the property a manufactured home? (e.g., a factory built dwelling built on a permanent chassis) ☐ NO ☐ YES

4b. Other New Mortgage Loans on the Property You are Buying or Refinancing

☐ Does not apply

Creditor Name	Lien Type	Monthly Payment	Loan Amount/ Amount to be Drawn	Credit Limit (if applicable)
	☐ First Lien ☐ Subordinate Lien	\$ _____	\$ _____	\$ _____
	☐ First Lien ☐ Subordinate Lien	\$ _____	\$ _____	\$ _____

4c. Rental Income on the Property You Want to Purchase

For Purchase Only ☐ Does not apply

Complete if the property is a 2-4 Unit Primary Residence or an Investment Property	Amount
Expected Monthly Rental Income	\$ _____
For LENDER to calculate: Expected Net Monthly Rental Income	\$ _____

4d. Gifts or Grants You Have Been Given or Will Receive for this Loan

☐ Does not apply

Include all gifts and grants below. Under Source, choose from the sources listed here:

- Community Nonprofit
- Federal Agency
- Relative
- State Agency
- Lender
- Employer
- Local Agency
- Religious Nonprofit
- Unmarried Partner
- Other

Asset Type: Cash Gift, Gift of Equity, Grant	Deposited/Not Deposited	Source – use list above	Cash or Market Value
	☐ Deposited ☐ Not Deposited		\$ _____
	☐ Deposited ☐ Not Deposited		\$ _____

Borrower Name: _____

Section 5: Declarations. This section asks you specific questions about the property, your funding, and your past financial history.

5a. About this Property and Your Money for this Loan

A. Will you occupy the property as your primary residence? If YES, have you had an ownership interest in another property in the last three years? If YES, complete (1) and (2) below: (1) What type of property did you own: primary residence (PR), FHA secondary residence (SR), second home (SH), or investment property (IP)? (2) How did you hold title to the property: by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?	☐ NO ☐ YES ☐ NO ☐ YES _____ _____
B. If this is a Purchase Transaction: Do you have a family relationship or business affiliation with the seller of the property?	☐ NO ☐ YES
C. Are you borrowing any money for this real estate transaction (<i>e.g., money for your closing costs or down payment</i>) or obtaining any money from another party, such as the seller or realtor, that you have not disclosed on this loan application? If YES, what is the amount of this money?	☐ NO ☐ YES \$ _____
D. 1. Have you or will you be applying for a mortgage loan on another property (not the property securing this loan) on or before closing this transaction that is not disclosed on this loan application? 2. Have you or will you be applying for any new credit (<i>e.g., installment loan, credit card, etc.</i>) on or before closing this loan that is not disclosed on this application?	☐ NO ☐ YES ☐ NO ☐ YES
E. Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through your property taxes (<i>e.g., the Property Assessed Clean Energy Program</i>)?	☐ NO ☐ YES

5b. About Your Finances

F. Are you a co-signer or guarantor on any debt or loan that is not disclosed on this application?	☐ NO ☐ YES
G. Are there any outstanding judgments against you?	☐ NO ☐ YES
H. Are you currently delinquent or in default on a Federal debt?	☐ NO ☐ YES
I. Are you a party to a lawsuit in which you potentially have any personal financial liability?	☐ NO ☐ YES
J. Have you conveyed title to any property in lieu of foreclosure in the past 7 years?	☐ NO ☐ YES
K. Within the past 7 years, have you completed a pre-foreclosure sale or short sale, whereby the property was sold to a third party and the Lender agreed to accept less than the outstanding mortgage balance due?	☐ NO ☐ YES
L. Have you had property foreclosed upon in the last 7 years?	☐ NO ☐ YES
M. Have you declared bankruptcy within the past 7 years? If YES, identify the type(s) of bankruptcy: ☐ Chapter 7 ☐ Chapter 11 ☐ Chapter 12 ☐ Chapter 13	☐ NO ☐ YES

Borrower Name:

Section 6: Acknowledgments and Agreements.

This section tells you about your legal obligations when you sign this application.

Acknowledgments and Agreements

Definitions:

- "Lender" includes the Lender's agents, service providers, and any of their successors and assigns.
- "Other Loan Participants" includes (i) any actual or potential owners of a loan resulting from this application (the "Loan"), (ii) acquirers of any beneficial or other interest in the Loan, (iii) any mortgage insurer, (iv) any guarantor, (v) any servicer of the Loan, and (vi) any of these parties' service providers, successors or assigns.

I agree to, acknowledge, and represent the following:

(1) The Complete Information for this Application

- The information I have provided in this application is true, accurate, and complete as of the date I signed this application.
- If the information I submitted changes or I have new information before closing of the Loan, I must change and supplement this application, including providing any updated/supplemented real estate sales contract.
- For purchase transactions: The terms and conditions of any real estate sales contract signed by me in connection with this application are true, accurate, and complete to the best of my knowledge and belief. I have not entered into any other agreement, written or oral, in connection with this real estate transaction.
- The Lender and Other Loan Participants may rely on the information contained in the application before and after closing of the Loan.
- Any intentional or negligent misrepresentation of information may result in the imposition of:
 - (a) civil liability on me, including monetary damages, if a person suffers any loss because the person relied on any misrepresentation that I have made on this application, and/or
 - (b) criminal penalties on me including, but not limited to, fine or imprisonment or both under the provisions of Federal law (18 U.S.C. §§ 1001 *et seq.*).

(2) The Property's Security

The Loan I have applied for in this application will be secured by a mortgage or deed of trust which provides the Lender a security interest in the property described in this application.

(3) The Property's Appraisal, Value, and Condition

- Any appraisal or value of the property obtained by the Lender is for use by the Lender and Other Loan Participants.
- The Lender and Other Loan Participants have not made any representation or warranty, express or implied, to me about the property, its condition, or its value.

(4) Electronic Records and Signatures

- The Lender and Other Loan Participants may keep any paper record and/or electronic record of this application, whether or not the Loan is approved.

- If this application is created as (or converted into) an "electronic application", I consent to the use of "electronic records" and "electronic signatures" as the terms are defined in and governed by applicable Federal and/or state electronic transactions laws.
- I intend to sign and have signed this application either using my:
 - (a) electronic signature; or
 - (b) a written signature and agree that if a paper version of this application is converted into an electronic application, the application will be an electronic record, and the representation of my written signature on this application will be my binding electronic signature.
- I agree that the application, if delivered or transmitted to the Lender or Other Loan Participants as an electronic record with my electronic signature, will be as effective and enforceable as a paper application signed by me in writing.

(5) Delinquency

- The Lender and Other Loan Participants may report information about my account to credit bureaus. Late payments, missed payments, or other defaults on my account may be reflected in my credit report and will likely affect my credit score.
- If I have trouble making my payments I understand that I may contact a HUD-approved housing counseling organization for advice about actions I can take to meet my mortgage obligations.

(6) Authorization for Use and Sharing of Information

By signing below, in addition to the representations and agreements made above, I expressly authorize the Lender and Other Loan Participants to obtain, use, and share with each other (i) the loan application and related loan information and documentation, (ii) a consumer credit report on me, and (iii) my tax return information, as necessary to perform the actions listed below, for so long as they have an interest in my loan or its servicing:

- (a) process and underwrite my loan;
- (b) verify any data contained in my consumer credit report, my loan application and other information supporting my loan application;
- (c) inform credit and investment decisions by the Lender and Other Loan Participants;
- (d) perform audit, quality control, and legal compliance analysis and reviews;
- (e) perform analysis and modeling for risk assessments;
- (f) monitor the account for this loan for potential delinquencies and determine any assistance that may be available to me; and
- (g) other actions permissible under applicable law.

Borrower Signature _____ **Date (mm/dd/yyyy)** ____/____/____

Additional Borrower Signature _____ **Date (mm/dd/yyyy)** ____/____/____

Borrower Name:

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Section 7: Military Service.

This section asks questions about your (or your deceased spouse's) military service.

Military Service of Borrower

Military Service – Did you (or your deceased spouse) ever serve, or are you currently serving, in the United States Armed Forces? ☐ NO ☐ YES

If YES, check all that apply:

- ☐ Currently serving on active duty with projected expiration date of service/tour ____ / ____ / ____ (mm/dd/yyyy)
- ☐ Currently retired, discharged, or separated from service
- ☐ Only period of service was as a non-activated member of the Reserve or National Guard
- ☐ Surviving spouse

Section 8: Demographic Information.

This section asks about your ethnicity, sex, and race.

Demographic Information of Borrower

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, sex, and race) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for "Ethnicity" and one or more designations for "Race." **The law provides that we may not discriminate** on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below.

Ethnicity: Check one or more

- ☐ Hispanic or Latino
 - ☐ Mexican ☐ Puerto Rican ☐ Cuban
 - ☐ Other Hispanic or Latino – Print origin: _____

For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.

- ☐ Not Hispanic or Latino
- ☐ I do not wish to provide this information

Sex

- ☐ Female
- ☐ Male
- ☐ I do not wish to provide this information

Race: Check one or more

- ☐ American Indian or Alaska Native – Print name of enrolled or principal tribe: _____

☐ Asian

- ☐ Asian Indian ☐ Chinese ☐ Filipino
- ☐ Japanese ☐ Korean ☐ Vietnamese
- ☐ Other Asian – Print race: _____

For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.

- ☐ Black or African American
- ☐ Native Hawaiian or Other Pacific Islander
 - ☐ Native Hawaiian ☐ Guamanian or Chamorro ☐ Samoan
 - ☐ Other Pacific Islander – Print race: _____

For example: Fijian, Tongan, and so on.

- ☐ White
- ☐ I do not wish to provide this information

To Be Completed by Financial Institution (for application taken in person):

- Was the ethnicity of the Borrower collected on the basis of visual observation or surname? ☐ NO ☐ YES
- Was the sex of the Borrower collected on the basis of visual observation or surname? ☐ NO ☐ YES
- Was the race of the Borrower collected on the basis of visual observation or surname? ☐ NO ☐ YES

The Demographic Information was provided through:

- ☐ Face-to-Face Interview (includes Electronic Media w/ Video Component) ☐ Telephone Interview ☐ Fax or Mail ☐ Email or Internet

Borrower Name:

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Section 9: Loan Originator Information.

To be completed by your **Loan Originator**.

Loan Originator Information

Loan Originator Organization Name _____

Address _____

Loan Originator Organization NMLSR ID# _____ State License ID# _____

Loan Originator Name _____

Loan Originator NMLSR ID# _____ State License ID# _____

Email _____ Phone (_____) _____ - _____

Signature _____ Date (mm/dd/yyyy) ____ / ____ / ____

Borrower Name:

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Your Step-by-Step Mortgage Guide

FROM APPLICATION TO CLOSING



In this Guide, you will learn about one of the most important steps in the homebuying process — obtaining a mortgage. The materials in this Guide will take you from application to closing and they'll even address the first months of homeownership to show you the kinds of things you need to do to keep your home. Knowing what to expect will give you the confidence you need to make the best decisions about your home purchase.



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Overview of the Mortgage Process

Taking the Right Steps to Buy Your New Home

Buying a home is an exciting experience, but it can be one of the most challenging if you don't understand the mortgage process. Many families feel overwhelmed because of the amount of paperwork they must complete. Knowing what to expect, especially if you're a first-time homebuyer, will help you make solid decisions about your home purchase.

This guide was written to help you navigate through the mortgage process — from the people involved, to the costs and forms you'll be asked to complete — and how you can take steps to make sure you keep your home long term. Understanding the primary purpose and function of the documents in the mortgage process, as well as the role of the many professionals involved, will make the mortgage process much less intimidating.

Getting Started

As you begin the journey toward homeownership, there are many resources available to you, including community organizations, your local government housing agencies, real estate professionals and loan officers who understand and are willing to work with prospective homebuyers like you. You will face many decisions throughout the process. We strongly encourage you to seek out these resources' professional services to gather the facts so you can make the best decisions.

While it is tempting to look for your perfect home right away, there are some steps to follow before you start shopping for a home. Begin by determining how much you can afford, based on your spending plan and comfort level.

One of your first steps should be to talk to a homeownership education counselor. Call 800-569-4287 or visit <https://www.hud.gov/counseling> for a list of housing counseling agencies approved by the U.S. Department of Housing and Urban Development (HUD) that can help you learn the homebuying basics and evaluate your financial readiness. Or you can contact a Freddie Mac Borrower Help Center or Network which are trusted nonprofit intermediaries with HUD-certified counselors on staff that offer prepurchase homebuyer education as well as financial literacy using tools such as the Freddie Mac CreditSmart® curriculum to help achieve successful and sustainable homeownership. Visit <https://myhome.freddie.mac.com/resources/working-with-freddie-mac-borrower-help-centers> for a directory and more information on their services.

Next, talk to a loan officer to review your income and expenses, which can be used to determine the type and amount of mortgage loan you qualify for. Having a good credit history is also an important beginning step. If you have not yet established a credit history or need information on how to establish or improve your credit history, seek assistance from a homeownership education counselor.

Housing Counseling Resources

Take advantage of the valuable housing counseling resources offered by community-based organizations, including:

- Housing counseling
- Developing a spending plan
- Long-term management of your money
- Review of different debt repayment options

For a list of housing counseling agencies approved by the U.S. Department of Housing and Urban Development, call 800-569-4287 or visit <https://www.hud.gov/counseling>.

For a directory of Freddie Mac Borrower Help Centers and the national Network, visit <https://myhome.freddie.mac.com/resources/working-with-freddie-mac-borrower-help-centers>.

Educate Yourself About Protecting Your Finances

As you gather your information from experts, it's more important than ever to ensure that you are receiving reliable information that will enable you to make the right choices throughout the mortgage process. Follow these helpful tips so that you can protect yourself against organizations that may not have your best interests in mind:

- **Say NO to "easy money."** Beware if someone claims that your "credit problems won't affect the interest rate." If an offer is really appealing, get it in writing and then seek a second opinion.

- **Shop around.** Always talk to several lenders to find the best mortgage loan you qualify for. A mortgage loan product or lending practice may seem reasonable until compared with a similar mortgage loan product offered by other lenders.
- **Find out about prepayment penalties.** Know if the mortgage loan offered to you includes a fee if you pay off your loan early. If it is a requirement of the mortgage loan, you may want to ask about other products that do not contain a penalty.
- **Make sure documents are correct.** Beware of anyone offering to falsify your income information to qualify you for a mortgage loan. Never falsify information or sign documents that you know to be false.
- **Make sure documents are complete.** Do not sign documents that have incorrect dates or blank fields. Be wary of promises that a professional will “fix it later” or “fill it in later” after you’ve signed.
- **Ask about additional fees.** Make sure you understand all of the fees that are part of your mortgage process. Question any items you didn’t request or know about prior to the time you are asked to sign the mortgage loan documents.
- **Understand the total package.** Ask for written estimates that include all points and fees. Compare the annual percentage rate (APR), which combines a loan’s interest rate with certain other fees charged by the lender at closing and over the life of the loan.
- **Work with legitimate credit counselors.** Beware of scam credit counseling and credit consolidation agencies. Get all the facts before deciding to combine credit card or other debts into a mortgage loan.
- **If you’re not sure, don’t sign!** Get advice first from a reputable consumer credit counseling agency or housing counselor.

Entering the Homebuying Process

Once you enter the process, you’ll be faced with a variety of forms and an assortment of paperwork. The materials in this Guide focus on what you need to know about both the process and the forms. They will give you an overview of the path to purchasing a home and they’ll describe and explain the most common mortgage forms you’re likely to be asked to complete. While the sections that follow will answer many of your questions, the professionals working with you should advise you and address your concerns along the way.

Each section in this Guide explains the major steps in the homebuying process. The information will take you from application to closing and it will even address the first months of homeownership to show you the kinds of things you need to do to ensure that you keep your home long term. You’ll also look at the role of the different people involved in the homebuying process: the loan officer, the real estate professional, the closing agent and the home inspector, among others, to better understand why they’re involved and what they do. The information in this Guide, coupled with the support from a trusted housing professional, will help ensure that you are better equipped for homeownership in the future.



Understanding the People and Their Services

The process of obtaining a mortgage can seem quite complicated because of the number of people involved. Although it can appear overwhelming at times, it is important to recognize that each person you work with provides a specific service that will help you become a homeowner.

Who's Who and What's What

This section will acquaint you with the many people you'll work with as you buy your home. Some of the first people you'll meet include your loan officer and real estate professional. Your loan officer will help you determine how much you can afford to spend on a mortgage loan so that you choose the mortgage option that best suits your financial situation and a real estate professional will help you find the right home for you and your family. As you move further along in the mortgage process, you'll meet additional professionals, including a real estate appraiser, home inspector and closing representative. Here is a brief summary of the key members of your homebuying team and what they do for you:

- **Loan Officer** — Loan officers are mortgage specialists; they will use your credit, financial and employment information to see if you qualify for a mortgage and then come up with mortgage financing options that match your financial capacity. There are a variety of different mortgage options available. Fixed-rate mortgages provide a stable option since your interest rate remains the same for the length of your loan. The most common fixed-rate mortgage is a 30-year fixed-rate, although 15- and 20-year fixed-rate mortgages also provide certain advantages.

Your loan officer will also help you complete your mortgage loan application and keep track of what's happening during the loan approval process. Please be sure to read Section 3, *What You Should Know About Your Mortgage Loan Application*.

- **Real Estate Professional** — Real estate professionals (REPs) can help you find the kind of home you seek, examine comparable homes and compare different

neighborhoods. They often provide specific community information on shopping, schools, property tax rates and more. Most important, REPs can look for homes that meet your needs and financial circumstances, helping you narrow your choices. And when you're ready to make an offer on a home, the real estate professional will usually handle the negotiations with the seller, including presenting your offer (what you're willing and able to pay for the property).

To find a real estate agent professional, you should ask your family and friends for referrals. You can also find an agent who makes you feel comfortable and can provide the knowledge and services you need. The real estate agent professional is almost always paid by the seller upon the sale of the home.

- **Loan Processor** — The loan processor's job is to prepare your mortgage loan information and application for presentation to the underwriter. The loan processor will ask you for many documents, including documents about your income, your employment, your monthly bills and how much you have in the bank. In addition, the loan processor must make sure that all proper documentation is included, that all numbers are calculated correctly and double checked and that everything is stacked in the proper order. A well-processed loan file can decrease the amount of time it takes for a decision about your mortgage loan application.
- **Mortgage Underwriter** — The mortgage underwriter is the professional authorized to assess if you are eligible for the mortgage loan you are applying for. The mortgage underwriter will approve or reject your mortgage loan

application based on your credit history, employment history, assets, debts and other factors.

- **Real Estate Appraiser** — The real estate appraiser's job is to look at the property you are purchasing and determine how much it's worth (or its *fair market value*). Real estate appraisers determine a home's value in a number of ways, including comparing the value of similar homes that recently sold nearby. A real estate appraiser is specially qualified through education, training and experience to estimate the value of property.
- **Home Inspector** — Hiring a professional home inspector can be one of the most important things you can do to make sure your home is in good condition. An authorized inspector can uncover defects with the house that could cost you a lot of money down the road. For example, if the home inspector finds a serious problem, like a roof that needs to be replaced, you'll know upfront and can negotiate with the seller for the cost of the roof repair or replacement. If you don't find out that sort of thing until after you own the house, the problems (and costs) are yours alone. Your real estate professional can be a good reference for a home inspector.
- **Closing Representative** — Closing, which is also called "settlement," is the final step in buying your home. A representative of the closing company oversees and coordinates the closing, records the closing documents and disperses money to the appropriate individuals and organizations. Closing meetings are a standard part of the homebuying process.

At closing, you'll sign many documents like the mortgage note and mortgage or deed of trust. Proof of insurance and inspections, as well as any money due, are required before you get the keys to your new home. Once the closing meeting is complete, you can move into your new home.

Other Housing Professionals

Along with the housing professionals previously listed, there are other important people and organizations that you'll work with as part of the homeownership process. These include:

- **Community-Based Organizations and Local Housing Counseling Agencies** — These are important organizations to consider contacting when you begin the homebuying process. Professionals in these organizations will help you assess your individual financial situation and help you improve your credit to ensure that you are well prepared for homeownership. They may also be able to identify local government sponsored down payment and closing cost assistance funding that you may be eligible to receive. Freddie Mac Borrower Help Centers and its national Network are also trusted nonprofit intermediaries with HUD-certified counselors on staff that offer prepurchase homebuyer education as well as financial literacy using tools such as the Freddie Mac CreditSmart® curriculum to help achieve successful and sustainable homeownership. Visit <https://myhome.freddie.mac.com/resources/working-with-freddie-mac-borrower-help-centers> for a directory and more information on their services.
- **Mortgage Lender and Servicer** — The mortgage lender is the financial institution that provides funds for your mortgage. A mortgage servicer is the financial institution or entity that is responsible for collecting your ongoing mortgage payments. If you have difficulty paying your mortgage on time after you become a homeowner, be sure to contact your mortgage servicer who can provide you with a variety of options to help you stay in or sell your home. Your mortgage servicer may be the same as your lender, or may be a different company depending on who your lender is or how they manage your mortgage going forward. It is not uncommon for your lender to transfer the servicing of your mortgage to a different company after you close on your home.

All of these people play different but complementary roles. Knowing the roles of each type of professional will make the mortgage process flow as smoothly as possible.

What You Should Know About Your Mortgage Loan Application

Now that you've read about the key professionals in the homebuying process, it's time to start taking a closer look at the forms and assorted paperwork necessary to purchase a home.

There are a number of important steps involved in making the dream of homeownership a reality and one of them is completing your mortgage loan application. The official title for this form is the Uniform Residential Loan Application (Freddie Mac Form 65 • Fannie Mae Form 1003, Effective 9/2020) — you might also hear it referred to as the “URLA” or the “Ten-O-Three.”

The URLA consists of up to five forms: Borrower Information, Additional Borrower, Unmarried Addendum, Lender Loan Information and Continuation Sheet. You will be asked to complete the Borrower and/or Additional Borrower forms, and your loan officer will complete the others. The Borrower Information and Additional Borrower forms may be used together by your lender to collect information if there are two or more borrowers on the loan who have joint assets, liabilities, and/or real estate information. The Additional Borrower form is a shorter version of the Borrower form relieving co-borrowers from duplicating information about shared assets and liabilities.

Be sure to work with your loan officer to complete the Borrower forms. Take your time answering the questions as accurately and completely as possible — mistakes and missing information can delay the approval process of your application. Your loan officer can answer any questions you may have.

The Borrower Information form consists of sections that capture information about you, your finances, the proposed property and a high-level summary of your potential mortgage. In this section you'll learn about each part of the form and why you're being asked to provide the requested information.



A Section-by-Section Guide to Your Mortgage Loan Application

Uniform Residential Loan Application

Verify and complete the information on this application. If you are applying for this loan with others, each additional Borrower must provide information as directed by your Lender.

Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Information

Name (First, Middle, Last, Suffix)

Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix)

Type of Credit
☐ I am applying for individual credit.
☐ I am applying for joint credit. Total Number of Borrowers: _____
Each Borrower intends to apply for joint credit. Your initials: _____

Marital Status
☐ Married
☐ Separated
☐ Unmarried
(Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)

Dependents (not listed by another Borrower)
Number _____
Ages _____

Contact Information
Home Phone () _____
Cell Phone () _____
Work Phone () _____
Email _____

Current Address
Street _____
City _____ State _____ ZIP _____ Unit # _____
Country _____
How Long at Current Address? _____ Years _____ Months **Housing** ☐ No primary housing expense ☐ Own ☐ Rent (\$ _____ /month)

If at Current Address for LESS than 2 years, list Former Address ☐ Does not apply

Street _____
City _____ State _____ ZIP _____ Unit # _____
Country _____
How Long at Former Address? _____ Years _____ Months **Housing** ☐ No primary housing expense ☐ Own ☐ Rent (\$ _____ /month)

Mailing Address – if different from Current Address ☐ Does not apply

Street _____
City _____ State _____ ZIP _____ Unit # _____
Country _____

1b. Current Employment/Self-Employment and Income ☐ Does not apply

Employer or Business Name _____ Phone () _____
Street _____ Unit # _____
City _____ State _____ ZIP _____ Country _____

Position or Title _____
Start Date ____/____/____ (mm/dd/yyyy)
How long in this line of work? _____ Years _____ Months

Check if this statement applies:
☐ I am employed by a family member, property seller, real estate agent, or other party to the transaction.

☐ Check if you are the Business Owner or Self-Employed ☐ I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$ _____
☐ I have an ownership share of 25% or more. \$ _____

Gross Monthly Income
Base \$ _____/month
Overtime \$ _____/month
Bonus \$ _____/month
Commission \$ _____/month
Military Entitlements \$ _____/month
Other \$ _____/month
TOTAL \$ 0.00/month

Uniform Residential Loan Application
Freddie Mac Form 65 • Fannie Mae Form 1003

Section 1: Borrower Information

This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

All of the personal information on your application is confidential and protected by federal law.

- Section 1a. Personal Information:** Asks you to provide basic information including your Social Security Number, date of birth, marital status, contact information and current address. If you have lived at your current address less than two years, be prepared to furnish former address(es). In addition, you will be asked to affirm if you are a U.S. citizen or a permanent resident alien. If you are not a U.S. citizen but can provide documentation to establish a legal presence in the U.S., you can still obtain a mortgage. With this identifying information, your

lender will be able to obtain your credit report, which is a key factor in helping your loan officer assess your present financial situation. Be prepared to share copies of documents providing proof of identification and residency.

- Sections 1b. Current Employment and Self-Employment Income and 1c. Additional Employment and Self-Employment Income:** In these sections you will provide a history of your employment and the monthly income earned from each job you have had. Complete these section(s) for each job, self-employment, or business you own or from which you receive income. If applicable, break up your employment income into its different types, for example, overtime and commissions. For self-employment, indicate your percentage of ownership in the business and provide one amount representing your total monthly income or loss.
- Section 1d. Previous Employment / Self-Employment and Income:** Complete this section if you have received income from your current job(s) or self-employment(s) for less than two years. You will need to describe any periods of unemployment (for example, you were a student or homemaker). For each previous employment, you need only provide the total gross monthly income.
- Section 1e. Income from Other Sources:** You are asked to provide income you receive from sources other than your current employment or self-employment that you would like your lender to consider. Examples include, but are not limited to: alimony, child support, retirement and Social Security.

Income information helps your loan officer determine your ability to make regular payments on the mortgage and your capacity to afford the costs associated with owning a home. Your loan officer will ask you to provide documentation or other verification from your employers and other income sources, including copies of your tax returns.

Section 2: Financial Information – Assets and Liabilities

This section indicates your current financial position — how much you own (assets) versus how much you owe (liabilities). The difference between the two is your net worth. You may be asked to provide account statements and other documentation confirming account balances and the existence of other assets.

8

YOUR STEP-BY-STEP MORTGAGE GUIDE

Important Documents to Complete Your Application

You will most likely need the following information to provide to your loan officer in order to complete your mortgage loan application:

- Paycheck stubs for the past 30 days.
- W-2 forms for the past two years.
- Information about long-term debts, like car loans, student loans, etc.
- Recent statements from all of your bank accounts.
- Tax returns for the past two years if you're self-employed.
- Proof of any supplemental income.

You will also be asked to provide approval for the lender to request a copy of your credit report. If you have not yet established a credit record, your loan officer may look to see if you've paid your rent and utilities on time so they can evaluate your payment patterns.

- **Sections 2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have:** This section is for you to list all your financial accounts. You may be asked to provide copies of your account statements showing transaction activity and balances.
- **Section 2b. Other Assets and Credits You Have:** This is where you will identify any other assets not included in the accounts listed in Section 2a that you would like your lender to consider. This section also documents credits you will receive toward the property purchase. Credit examples include, but are not limited to, earnest money, employment assistance or relocation funds. (Note: This section does not include gifts, which are handled in a later section.)
- **Sections 2c.-2d. Liabilities:** For the Liabilities sections, you will be asked to enter the details of all personal debt that you now owe or will owe before this mortgage loan

closes, including debts not listed on your credit report, debts with payments that are currently deferred, and personal debts that will be paid off at or before closing, even if they will be paid off by the time the mortgage loan closes. You do not need to include household expenses for phones, utilities, or insurance unless instructed to do so by your lender.

The assets and liabilities information you provide to your loan officer on the loan application will later be verified by a credit report ordered by the lender. Differences between your figures and those on the credit report will raise questions and may delay the decision on your mortgage loan, so it is important that you are as accurate as possible when filling out this section.

Section 3: Financial Information – Real Estate

- **Sections 3a.-3c.** are identical sections that enable you to provide the details about each property (including undeveloped land) you own and/or for which you are obligated on a mortgage. You will be asked to provide information on the property's value, ownership status and monthly expenses and liens. You will also provide monthly income generated from rental property. Information from this section will be used along with the information in Section 2 to determine your overall financial situation.

Section 4: Loan and Property Information

This section will ask you for information about the type of loan you are applying for and the property that you are planning to purchase or refinance.

- **Section 4a. Loan and Property Information:** In this section you will need to indicate the type and amount of loan you are requesting, and if known, information about the property you want to finance including address, value and intended use.
- **Section 4b. Other New Mortgage Loans on the Property You are Buying or Refinancing:** Complete this section only if you are applying for more than one new mortgage loan to purchase or refinance this property — for example, if you are applying for a second mortgage at the same time as the first mortgage. (Note: Rental income earned from properties you already own is entered in Section 3.)

- **Section 4c. Rental Income on the Property You Want to Purchase:** Complete this section only if the property you are purchasing is a 2- to 4-unit primary residence (you will live in one unit and rent out the others) or an investment property. Enter the estimated gross rental income you expect to receive.
- **Section 4d. Gifts or Grants You Have Been Given or Will Receive for this Loan:** In this section you will be asked to disclose all gifts or grants all borrowers on the loan have received, or are expecting, that will be used toward the financing of the property. Indicate whether you have already deposited these funds and counted them in the balance of one of your financial accounts. You may be asked to provide a letter describing the gift or grant in more detail.

Section 5: Declarations

In this section, you will be asked specific questions about the property, your funding, and your past financial history. This information, in combination with your credit report, will help your lender assess your ability to pay the mortgage.

- **Section 5a. About this Property and Your Money for this Loan:** Here you will find questions to determine whether you are a first-time homebuyer. Other questions relate to whether you have a business or personal relationship with the property seller, the sources of funding for the transaction, and whether there could be a lien on the property.
- **Section 5b. About Your Finances:** This section asks whether you are obligated on any other debts you have not already identified in the Liabilities section, and whether you have gone through a foreclosure or bankruptcy during the past 7 years.

Section 6: Acknowledgements and Agreements

Your signature is your word of honor. In this section, you sign your name, saying that the information you are providing is accurate and true to the best of your knowledge. Not only is deliberately providing false or inaccurate information on your application illegal, but it could also seriously harm your chances of being approved for the loan. Your signature will also acknowledge that your lender may share certain information with third parties under specified circumstances.

Section 7: Military Service

Complete this section only if you or your deceased spouse has or had any military service. It asks for identification of the branch(es) and dates of service. If this does not apply to you, you can skip this section.

Section 8: Demographic Information

In these sections of the application, you have the option to provide information about your ethnicity, gender and race. You are not required to provide this information but are encouraged to do so. That's because the U.S. government wants to be sure our housing finance system meets the needs of all homebuyers in the country. This is one way they gather the statistics they need to ensure the system works fairly for everyone.



Pre-Approval and It's On to the Next Step

FICUS BANK

4321 Random Boulevard • Somerscity, ST 12340

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED2/15/2013

APPLICANTSMichael Jones and Mary Stone
123 Anywhere Street
Anytown, ST 12345

PROPERTY456 Somewhere Avenue
Anytown, ST 12345

SALE PRICE\$180,000

LOAN TERM30 years

PURPOSEPurchase

PRODUCTFixed 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		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
Prepayment Penalty		Does the loan have these features? 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	+ —
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
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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.

LOAN ESTIMATE

PAGE 1 OF 3 • LOAN ID # 123456789

Once the application is complete, your loan officer will review it with you and ask you and any co-borrowers to sign it. Your loan officer will then send it through their organization to obtain approvals. If it's approved, you will receive a pre-approval letter, which is the lender's conditional commitment to lend you a specific amount of money for the purchase of your home. With that pre-approval, you will know just how much house you can afford to buy. While this is helpful information, you need to decide for yourself if you can live comfortably with the amount of your suggested mortgage and the associated monthly mortgage payment.



Understanding Your Costs Through Estimates, Disclosures and More

Once you have completed the mortgage loan application process, your loan officer will provide you with a variety of documents outlining the costs associated with your loan.

The most important are the Loan Estimate and the Closing Disclosure. These forms are required by law and are there for your protection.

The Loan Estimate

Within three business days of submitting the application, your loan officer must provide you with a Loan Estimate. The Loan Estimate provides you with an estimate of your mortgage loan terms and settlement charges (also called *closing charges*, or costs to complete your mortgage transaction) if you are approved for a mortgage loan. With this information, you can evaluate your mortgage loan offer, and even explore a few other possibilities before accepting it.

The Loan Estimate is a three-page form with summary information of your loan terms, monthly payment and money needed at closing on the first page, details of your closing costs on the second page and additional information about your loan on the third page.

You can use your Loan Estimate to compare rates and settlement charges from other lenders. As the legal mortgage terminology used in the Loan Estimate may seem confusing, the following definitions should help you understand some of the most important information on this form.

Loan Terms

This section defines the basic terms of your mortgage loan, including the initial loan amount, interest rate and initial monthly payment. This section also includes important information indicating if your interest rate can rise and if your loan has a prepayment penalty.

Escrow Account Information

Most lenders require you to pay in advance for some items that will be due after closing. These prepaid items generally include homeowner's insurance premiums and property taxes. The first page of the Loan Estimate indicates whether or not an escrow account is required and estimates the amount of your monthly escrow payment.

Closing Cost Details

Your closing costs include Loan Costs and Other Costs. Loan costs are divided into three categories:

- Origination charges are fees charged by your lender for preparing and submitting your completed loan application and underwriting your loan. The Origination Charges can include an application fee, an underwriting fee and an origination charge or points. One point equals one percent (1%) of your mortgage amount.
- Services You Cannot Shop For lists the fees for those settlement services for which the lender will select the person or entity that will provide those services. These services typically include appraisals and credit reports for example.
- Services You Can Shop For lists the fees for those settlement services that you may shop for and choose the service provider. These services may include the company that issues title insurance, conducts a survey, or performs a pest inspection.

Other Costs include: (1) Taxes and government fees such as recording fees and taxes and transfer taxes; (2) Prepaid such as homeowner's insurance premiums for the first year of your

loan term, prepaid interest and property taxes; and (3) Initial escrow payments at closing, which generally include two (2) months of homeowner's insurance premiums and property taxes.

Some common fees you may be charged include the following:

- **Appraisal Fee** — the fee paid to the professional appraiser who will assess the value of the home you want to buy. Since the home is the security or guarantee for the amount you are financing with your mortgage loan, your lender needs to know that the value of the property covers the loan amount. Most lenders will not provide you with a mortgage loan amount greater than what the appraiser determines is the property's fair market value.
- **Credit Report Fee** — the cost of getting copies of your credit report to assess your mortgage loan application. Your credit score, included in your credit report, is one of the most important factors in determining the interest rate that will be offered to you.

What Does Your Credit Report Include?

Your credit report provides information on money you've borrowed from credit institutions, in addition to your payment history, and includes:

- **A list of debts and a history of how you've paid them.** This can include credit cards, auto loans, student loans, department store credit cards, etc.
- **Any bills referred to a collection agency.** This can include phone and medical bills.
- **Public record information.** This can include tax liens and bankruptcies.
- **Inquiries made about your creditworthiness.** An inquiry is made when you apply for credit. Your credit report can also show if you were given credit based upon the inquiry.

- **Title Services Fee and Title Insurance** — the fee paid to a title company to search county records to make sure that the title to the property you wish to buy is clear and free of any complications like pending debts or liens on the property.
- **Government Recording Charges** — the fee required to register the property under your name and record the mortgage or deed of trust.
- **Homeowners Insurance** — This charge is for the insurance you must buy for the property to protect your property from a loss, such as fire, floods and storm damage. In many cases, homeowners choose to let the lender pay the insurance from an escrow account the lender sets up for you that you fund on a monthly basis.
- **Initial Deposit for Your Escrow Account** — This represents the money that you are required to pay in advance to establish your escrow account, so that this account can be used by the lender to pay for homeowners insurance, property taxes and other charges, if applicable.

Read the Loan Estimate very carefully and go over the list of fees with your loan officer to make sure that you have a clear understanding of what you are paying and why.

Please keep in mind that the Loan Estimate is only an estimate, and the actual charges you must pay at closing may differ. At your closing, you will receive a Closing Disclosure form that lists your actual loan costs. Compare the charges on the Closing Disclosure with the charges on the Loan Estimate to ensure that they have not dramatically changed. If they have changed, be sure to get a clear explanation of why. There are limits on the amount by which certain charges listed on the Loan Estimate can increase.

The Loan Estimate also includes certain disclosures that will enable you to see the total cost of your mortgage under the terms of your particular mortgage loan. This disclosure is required by law to inform you of the complete cost of your credit and allows you the opportunity to ask questions and understand how much you will pay for the mortgage loan you will get. These disclosures reflect the most significant characteristics of your mortgage loan: (1) the annual percentage rate (APR); (2) the payment amount; and (3) the total interest percentage (TIP).

- The APR is not the interest rate for which you applied. This percentage rate takes into account the various loan charges, including loan discounts, origination fees, prepaid interest and other credit costs. The APR is important because it gives the true cost of borrowing since all of the finance charges associated with the mortgage loan are considered.
- The proposed payment amount shows the dollar amount of your payments and their frequency.
- The TIP is the total amount of interest that you will pay over the loan term as a percentage of your loan amount.

The Commitment Letter

After your lender has approved your mortgage loan application, you should receive a commitment letter that specifies the amount of the mortgage loan, the number of years to repay the mortgage loan (the term), the interest rate, the APR and the monthly charges. You usually must accept the commitment by returning a signed copy to the lender within five to 10 days and you might have to pay part or all of the origination fees at this time. Once the commitment letter has been received, you are assured the financing needed to complete the purchase of your home and can now focus on completing the details required for closing.

The Appraisal Disclosure

This document will inform you that you have the right to get a copy of the appraisal report that was obtained in conjunction with your application for credit.

Other Disclosures

There are a number of other disclosures that will be given to you, including a disclosure about your credit report and your right to get a copy. You will also be required to sign a disclosure stating that you intend to actually occupy the property as your primary residence (live in the property the majority of the time), as opposed to using the property as a second home or as an investment.

The Final Document Before Closing: The Closing Disclosure

Your loan officer should provide you with a copy of the Closing Disclosure at least 3 business days before you sign the mortgage loan documents at your closing. This document discloses the actual dollar amounts you will pay for the various fees and services associated with the closing of your mortgage loan. Your closing costs can typically range from 3 percent to 7 percent of the mortgage loan amount, so it's important that you are aware of these costs and ask questions about them.



The Closing Disclosure also lists the date of the closing. In many places, the closing takes place at a title company or an escrow office. The escrow officer is an impartial third party in the transaction, who will be able to answer general questions about the terms of your mortgage loan, but won't be able to give you legal advice.

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

CLOSING DISCLOSURE



What You Should Know About Your Closing

You and your family are finally ready to move to your new home. Your mortgage loan was approved, your house passed inspection, your belongings are packed and everyone is looking forward to moving day. All that's left is to attend your closing.

The Final Step to Homeownership

What is a closing? A closing is a meeting that involves all of the parties signing the final documents and legally transferring the property to you. There are costs and fees in this final step of which you need to be aware. This section will walk you through the entire process.

When you are finished signing the closing documents, you will be given the keys to your new home. The mortgage process is now complete and you are officially a homeowner.

Who Will Be There?

Usually, the closing takes place at a title company or an escrow office. The following individuals should be there or be represented:

- You and any co-borrower (such as your spouse), if they're involved with the transaction
- Escrow officer
- Closing agent
- The seller's real estate professional
- Your real estate professional

The thing you'll probably remember most years later is how many times you had to sign your name. There are lots of documents that need your signature. Here's an overview of what will happen:

- You will sign a promissory note indicating that you have accepted the mortgage loan from your lender and agree

to repay the amount borrowed, plus interest. You also will sign a security instrument which pledges your home as collateral for the loan. In some states this document is a mortgage and in other states it is a deed of trust.

- At closing, your lender will transfer the money to the seller on your behalf. The seller will then sign a document called the deed, transferring ownership of the property to you.
- The title company or settlement agent will prepare all the documents and make sure that they are properly recorded.
- Additionally, there will be a number of affidavits and declarations for you to sign. These legally binding documents spell out the financial obligation you are taking on and your rights as a homeowner.

Make sure you understand what you're signing. It is important to read the documents carefully. Don't hesitate to ask questions. Sometimes real estate professionals will go over the documents in detail before the actual closing, so you are comfortable with the process. If that seems like a good idea to you, by all means ask your real estate professional to spend time with you explaining the paperwork.

The Documents in More Detail

Here's a little more detail about some of the paperwork you'll be asked to sign at your closing. Remember, every person who buys a home has to sign this paperwork, no matter the country of origin, income level or native language.

The Mortgage Note

The mortgage note is a legal document that provides

evidence of your indebtedness and your formal promise to repay the mortgage loan, according to the terms you've agreed to. These terms include the amount you owe, the interest rate of the mortgage loan, the dates when the payments are to be made, the length of time for repayment and the place where the payments are to be sent. The note also explains the consequences of failing to make your monthly mortgage payments.

The Mortgage or Deed of Trust

The mortgage or deed of trust is the security instrument that you give to the lender that protects the lender's interest in your property. When you sign the mortgage or the deed of trust (depending on the state where you live), you are giving the lender the right to take the property by foreclosure if you fail to pay your mortgage according to the terms you've agreed to. Financing a house is very similar to financing an automobile; in both cases the property is the security for the loan.

The mortgage or deed of trust states most of the information contained in the note. It also establishes your responsibility to keep the house in good repair, insure it, pay your real property taxes and make your payments on time.

The Deed

A deed is a document that transfers ownership of the property to you. It contains the names of the previous and new owners and a legal description of the property and is signed by the person transferring the property. The deed gives you title to the property, but the title is conveyed to a neutral third party (called a trustee) until you pay the mortgage loan in full.

The closing agent will be responsible for recording this document so that it can be filed as part of your county's public records. You will receive a copy at closing and another copy after it has been recorded.

Affidavits and Declarations

Affidavits and declarations are statements declaring something to be true, like the fact that the property will be your principal place of residence or that all the repairs needed on the property were completed prior to closing. In most cases you'll have to sign one or more affidavits at your closing.

A Summary of Useful Tips

The closing process can be stressful because of all the paperwork you will need to sign. Just remember these few tips:

- Avoid feeling rushed by reading all the documents that will be sent to you prior to this meeting.
- Most people ask a lot of questions about the legal terminology in closing documents. Don't be afraid to ask as many questions as you need to ensure that you clearly understand the process and the paperwork.
- The documents in the mortgage process are the same for everybody, regardless of ethnic origin, language, gender or income. Federal law requires that you sign English language versions of all forms as your final, legally binding contract.

The day you close on your new home will be one of the most rewarding experiences of your life. While homeownership does come with responsibility, you'll take pride in the fact that you have a new home for you and your family to enjoy now and in the future.



Owning and Keeping Your Home

Buying a home is a dream come true for many — but signing your mortgage documents is only the beginning of your homeownership responsibilities.

Keeping Your Home and Your Finances in Order

Owning a home is an ongoing commitment — new issues and responsibilities can come up at any time. Just as you organized your finances in order to purchase your home, it's also wise to think through what it will take to stay comfortably in your home. That's what this section is all about.

We all know that life is unpredictable. Any number of unexpected things — a sudden illness in your family, the loss of a job, or a family emergency — could limit your ability to fulfill your financial obligations, including paying your mortgage on time. Prepare now so that if you are challenged in the future, you'll be better equipped to handle the situation.

Your agreement to pay your mortgage loan is very specific. It establishes the exact date when your mortgage loan is due each month, the amount of the payment and where it should be sent. Making late payments will result in late fees and will also negatively affect your credit score and your ability to obtain credit in the future.

Knowing these facts will give you the confidence to prepare for the unexpected by creating a plan that includes budgeting for emergencies.

Protecting Yourself by Planning Ahead

Always have a backup plan ready in case you suddenly find yourself facing financial difficulty. One rule of thumb: work

toward setting aside between three and six months of living expenses to protect yourself from unexpected financial problems. If you don't already have that, start saving today.

Follow a spending plan and take into account the new expenses you have as a homeowner, like taxes, insurance, furnishings and general maintenance and repair costs. Think about areas where you can reduce your monthly spending on nonessential services. For instance, temporarily canceling your gym membership or delaying electronics purchases may significantly reduce your monthly expenses.

Take Into Account the New Expenses You Have as a Homeowner

Remember that the mortgage is not the only expense of homeownership. Other expenses include:

- Homeowners insurance, interest and taxes (which may be factored into your monthly mortgage payment)
- Maintenance costs
- Utilities
- Water and garbage services
- Unexpected repairs

Maintain Your Home

Every step you take now to care for your home will benefit you and your family in the future. It is important that you maintain the condition of your home for the safety and comfort of your family and to protect the value of your property. Once you move into your home, it is essential that you set aside part of your time and spending plan to maintain the property.

Plan ahead — if you know that your hot water heater is old and probably only has a year before it needs to be replaced, start budgeting for its replacement now. Keep track of the age of appliances, the roof, decks and other features. By knowing when things are likely to need maintenance, you can avoid unpleasant surprises that can impact your finances.

If Your Mortgage Loan Is “Sold” or the Servicing of Your Mortgage Loan is Transferred to Another Servicer

Don’t be alarmed if an unfamiliar company notifies you that it has “bought” your mortgage loan or is now servicing your mortgage loan. Lenders regularly sell mortgage loans or transfer the servicing of mortgage loans to other companies. This transaction doesn’t mean the terms or obligations of your mortgage loan have changed, only that you’ll be sending your mortgage loan payment to another company, at another address.

If that happens, you’ll be sent all the information you need from your current servicer and your new servicer so there is a smooth transition. It’s wise to read carefully all correspondence related to your mortgage loan and keep company names, mailing addresses and telephone numbers in a file.

Working with Your Lender to Prevent Foreclosure

If something happens in your life that has a negative impact on your ability to pay your mortgage, **contact your mortgage servicer** (the company where you send your mortgage payments) immediately. This is important: make that call as

soon as you realize you won’t be able to make a payment. It’s not a conversation anyone looks forward to, because it can be embarrassing and uncomfortable. But remember, you’re dealing with professionals who understand just what your options are and are trained to help you make the right choices to keep you in your home if at all possible. In some cases, people have lost their homes because they did not return their mortgage company’s calls or written invitations to discuss payment options.

Don’t wait until you miss a mortgage payment to contact your mortgage servicer. If you don’t pay your monthly mortgage payments over a period of time, the mortgage company can foreclose. This means you will lose the title to your property and may be evicted from your home. The key here is to communicate, communicate, communicate.

Community Resources

Nonprofit housing and credit counselors in your community can also provide assistance by helping you analyze your financial situation and put together a spending plan to help you pay your mortgage and other monthly expenses. These counselors can help you find and take advantage of local services or programs that provide financial, legal, medical or other support. They also play an important role in counseling borrowers who have fallen behind in their mortgage payments and may be facing foreclosure. HUD-approved housing counseling agencies are available to provide you with the information and assistance you need to avoid foreclosure. Find a list of HUD-approved foreclosure avoidance counseling agencies by visiting <https://www.hud.gov/counseling>.

Through its on-the-ground Borrower Help Centers and national Network, Freddie Mac works with trusted national nonprofit intermediaries to support its ongoing commitment of helping struggling borrowers with Freddie Mac-owned mortgages avoid foreclosure. Their services include helping clients understand, identify and pursue a foreclosure prevention solution with their mortgage loan servicers, whenever possible. For a directory of Freddie Mac Borrower Help Centers and the national Network, visit <https://myhome.freddiemac.com/resources/working-with-freddie-mac-borrower-help-centers>.

Protecting Your Good Credit and Your Home

Your house has real monetary value and the potential to be a source for building wealth for you and your family. That's one reason why you could be the target of scam artists and unscrupulous people who want to give you loans against the equity you have in your house. Your equity is the amount your house is worth on the market, minus what you owe to your mortgage lender.

Be careful when you get these offers in the mail, by telephone or in person. If an offer sounds too good to be true, it usually is. Remember, it took you time and a disciplined attitude to build a good credit history and it's because of that good credit that you were able to obtain the approval on your mortgage loan.

When you protect your credit, you're protecting your ability to get financing with favorable terms in the future. If you are thinking about refinancing down the road, helping your kids get a college loan, opening a new line of credit or making improvements to your home, maintaining and protecting your good credit will help you get what you need.

Prevention Checklist

It is important that you take a conservative approach to long-term homeownership. Plan for things you need and want and prioritize them. Be careful with your credit and cash. You'll find that being prudent in your planning and spending in the beginning will better position you for a successful homeownership experience.

Remember the following:

- Keep all your documents in a file in case you need to take legal action to protect your property and other assets.
- Create a spending plan that everyone in your family will follow; be sure to include new house expenses.
- Start a savings account for unexpected emergencies like extensive home repairs, illness and loss of employment.
- When using credit, always plan ahead for your purchases. Never make a major purchase on impulse. You need to



have a plan for paying off that purchase. Ask yourself: "Do I really need to buy this now?"

- Protect your personal information and never share your Social Security number and account information with unknown companies and individuals.
- Never sign any document you don't understand, and don't allow anyone to pressure you into signing any contract you don't want to sign.
- Take advantage of free workshops on money and credit management from nonprofit groups in your local community.

The Future Is Now

Every step you take now to protect your home will return many benefits in the future for you and your family.

Sure, your life as a homeowner will present you with some challenges, but the rewards are many and should you get into financial difficulty, help is only a telephone call away. There are companies and organizations in your area committed to supporting the success of new homeowners like you, because they believe homeownership is good for families and good for neighborhoods.

You should be proud. You've achieved the dream of homeownership.

Glossary of Mortgage Terms

The following mortgage terms are referenced in *Your Step-By-Step Mortgage Guide* or relate to one of the steps in the homebuying process explained in this guide.

Adjustable-Rate Mortgage (ARM): Also known as a variable-rate loan, an ARM usually offers a lower initial rate than a fixed-rate loan, but your payment can go up at set times and by set amounts. The interest rate can change at a specified time, known as an adjustment period, based on a published financial index that tracks changes in the current financial market. ARMs also have caps and floors, or a maximum and minimum that the interest rate can change at each adjustment period, as well as over the life of the loan.

Amortization: Paying off a loan over a period of time and at the interest rate specified in the loan documents. The amortization of a loan includes the payment of interest and a part of the amount borrowed in each mortgage payment. For instance, on a 30-year fixed-rate mortgage, the amortization period is 30 years.

Annual Percentage Rate (APR): How much a loan costs over the loan term expressed as a rate. The APR includes the interest rate, points, broker fees and certain other credit charges a borrower is required to pay. This is not the interest rate that is used in setting your monthly payment.

Application Fee: The fee that a mortgage lender charges to apply for a mortgage.

Assets: Items of value an individual owns, such as money in savings accounts, stocks, bonds and automobiles.

Collateral: Property which is used as security for a debt. In the case of a mortgage, the collateral is the house and land.

Closing Costs: The costs to complete the real estate transaction. These costs are in addition to the price of the home and are paid at closing. They include points, taxes, title insurance, financing costs, items that must be prepaid or escrowed and other costs. Your lender is required to provide you with the Loan Estimate and the Closing Disclosure so that you will understand your closing costs.

Closing Disclosure: A standard form required by Federal law that discloses the fees and services associated with closing your mortgage loan, as well as information about the terms of your loan. It discloses the mortgage loan amount being financed, closing fees and charges, the payment schedule, the interest rate, the annual percentage rate and any other costs associated with the mortgage loan.

Co-Borrower: Any additional borrower(s) whose name(s) appear on loan documents and whose income and credit history are used to qualify for the loan. Under this arrangement, all parties involved have an obligation to repay the loan.

Co-Signer: A term used to describe an individual who signs a loan or credit application with another person and



GLOSSARY OF MORTGAGE TERMS

promise to pay if the primary borrower doesn't pay. A co-signer is different from a co-borrower in that a co-signer takes responsibility for the debt only when the borrower defaults.

Commitment Letter: A letter from your lender stating the amount of the mortgage loan it is willing to make to you, the number of years to repay the mortgage loan (the term), the interest rate, the mortgage loan origination fee, the annual percentage rate and the monthly payments.

Credit: The ability of a person to borrow money, or buy goods by paying over time. Credit is extended based on a lender's assessment of the person's financial situation and ability to pay.

Credit Bureau: A company that gathers information on consumers who use credit. Lenders will ask for your permission before getting a copy of your credit report from these companies.

Credit Report: A document used by the lender to examine your use of credit. It provides information on money that you've borrowed from credit institutions, the amount of available credit you have in your name and your payment history. Lenders obtain credit reports from credit bureaus.

Credit Score: A computer-generated number that summarizes your credit profile and predicts the likelihood that you'll repay future debts.

Debt: Money owed by one person or institution to another person or institution.

Default: Failure to fulfill a legal obligation, like paying your mortgage. A default includes failure to pay on a financial obligation, but may also be a failure to perform some action or service that is non-monetary. For example, a mortgage requires the borrower to maintain the property.

Down Payment: A portion of the price of a home, paid upfront and not part of your mortgage.

Earnest Money: Funds from you to the seller, held on deposit, to show that you're committed to buying the home. The deposit will not be refunded to you after the seller accepts your offer. It will go toward your total closing costs and any remaining amount will then go toward your down payment, unless one of the sales contract contingencies is not fulfilled.

Escrow: A deposit by a borrower to the lender of funds to pay property taxes, insurance premiums and similar expenses when they become due.

Equity: The value of your home above the total mortgage amount you owe for your home. If you owe \$100,000 on your house but it is worth \$130,000, you have \$30,000 of equity. Your equity can fluctuate over time, based not only on your outstanding loan balance, but home price values in your local market area.

Fixed-Rate Mortgage: A mortgage with an interest rate that does not change during the entire term of the loan.

Foreclosure: A legal action that ends all ownership rights to a home when the homeowner fails to make a series of mortgage payments or is otherwise in default under the terms of the mortgage.

Hazard Insurance: Insurance coverage that provides compensation to the insured individual or family in case of property loss or damage.

Homeowners Insurance: A policy that protects you and the lender against losses due to fire, flood, or other acts of nature. It also offers protection against liability in the event that a visitor to your home is injured on your property.

Liabilities: Your debts and other financial obligations.

Lien: A claim or charge on property for payment of a debt. A mortgage is a lien, meaning the lender has the right to take the title to your property if you don't make the mortgage payments.

Loan: Money you borrow from a bank or other lender with a written promise to pay it back later. Banks and other lenders charge you fees and interest to borrow money.

Loan Estimate: A document that provides you with an estimate of the costs associated with your mortgage loan, as well as some other features of your loan. Your loan officer must provide you with a Loan Estimate within three business days of submitting the loan application.

Loan Officer: The person who takes applications for loans offered at the bank. The loan officer can answer your questions, provide written information explaining loan products and help you fill out a loan application.

GLOSSARY OF MORTGAGE TERMS

Loan Origination Fees: Fees paid to your mortgage lender for processing the mortgage loan application. These fees are usually in the form of points. One point equals one percent of the mortgage amount. For instance on a \$100,000 mortgage, one point is \$1,000.

Lock-In Agreement: A written agreement from your lender guaranteeing a specific mortgage interest rate for a certain amount of time.

Mortgage: A loan using your home as collateral. In some states the term mortgage is also used to describe the document you sign (to grant the lender a lien on your home). It may also be used to indicate the amount of money you borrow, with interest, to purchase your house. The amount of your mortgage is usually the purchase price of the home minus your down payment.

Mortgage Broker: A home finance professional who specializes in bringing together borrowers and lenders to facilitate real estate mortgages.

Mortgage Insurance: Insurance that protects mortgage lenders against loss in the event of default by the borrower. If you make a down payment of less than twenty percent, your lender will generally require mortgage insurance.

Mortgage Lender: The lender providing funds for a mortgage. Lenders also manage the credit and financial information review, the property review and the mortgage loan application process through closing.

Mortgage Note: A legal document that provides evidence of your indebtedness and your formal promise to repay the mortgage loan, according to the terms you've agreed to. The Note also explains the consequences of failing to make your monthly mortgage payments.

Mortgage Rate: The interest rate you pay to borrow the money to buy your house.

Mortgage Servicer: The financial institution or entity that is responsible for collecting your mortgage loan payments.

Principal: The amount of money borrowed from the lender to buy your house or the amount of the mortgage loan that has not yet been repaid to the lender. This does not include the interest you will pay to borrow that money. The principal balance (sometimes called the outstanding or unpaid

principal balance) is the amount owed on the loan minus the amount you repaid.

Real Estate Professional: An individual who provides services in buying and selling homes. A real estate professional who is a member of the National Association of REALTORS® is referred to as a Realtor®.

Title: Written evidence of the right to ownership in a property.

Title Insurance: Insurance providing protection against loss arising from problems connected to the title to your property.

Uniform Residential Loan Application: A standard mortgage loan application form on which you provide the lender with information required to assess your ability to repay the loan amount and to help the lender decide whether to lend you money.

Underwriting: The process that your lender uses to assess your eligibility to receive a mortgage loan. Underwriting involves the evaluation of your ability to repay the mortgage loan.



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HomeTRACK Important Concepts - Unit Three

Financing a Home

Good work so far, you are well on your way of completing HomeTRACK. In this unit we spent time learning about all that is involved in "Financing a Home". The following are the key concepts we explored in this unit:

1) How a Lender Decides to Lend or Not to Lend

- a. A lender cannot deny someone for a loan for any other reason than not meeting the requirements to get the loan.
- b. A person cannot be turned down for a loan based on how they look, what they wear, what religion they are, if they are disabled, what heritage they have or whether or not they have kids.
- c. If you feel you have been treated unfairly when attempting to get a loan, speak to a Housing Counseling Agency, they can help you file a complaint with HUD so that this can be investigated and no one experiences discrimination when trying to purchase a home.
- d. There are many reasons why a lender may turn someone down for a loan. Following is a list of some of those reasons, if you have been turned down for a loan for one of these, or think you will be, speak to a Housing Counselor, they can help you to make a plan to overcome these issues. Here are some reasons someone may be turned down for a home loan:
 - i. The person has no proof of income
 - ii. The person has not been making their car payments on time
 - iii. The person does not pay their credit card payments on time
 - iv. The person has too many debts already
 - v. The person has too many collections on their credit report
 - vi. The person recently filed bankruptcy
 - vii. The person has a garnishment on their income
 - viii. The person has a judgment against them that is still not paid
 - ix. Their income is too low for the house they want to purchase
 - x. The house they chose did not appraise for the asking price

2) Different Types of Loans

- a. There are various types of loans to consider when buying a home. You will need to look at your personal situation to help you determine which loan is right for you.

b. The three most common are:

- i. **"Fixed-Interest Mortgage"** - With a fixed-rate home loan, your interest rate remains the same for the life of the loan and the payment is split into equal monthly payments for the life of the loan. The interest payments are set up so that during the first few years of the loan term, only a small portion of the payment pays off the loan. Most commonly taken as a 30-year loan, fixed-rate mortgages can be shorter in duration or, more rarely, longer. The Fixed-Interest Mortgage is the one most recommended by Housing Counselors, especially for first time buyers.
- ii. **"Adjustable-Rate Mortgage"** - The interest rate on this type of loan is adjusted from time to time to meet current interest rates. This normally happens annually. This option is most attractive when interest rates are higher on fixed rate loans.
 1. When interest rates are higher, the introductory rate to this type of loan is usually lower than fixed rate loans. The person getting this type of loan is hoping that interest rates will go lower over time and then the interest rate on this type of loan will go down.
 2. When interest rates get a lot lower, then most people will refinance their loans to a fixed rate loan.
 3. The interest rate will adjust regularly, but there is a limit to the amount it can change.
 4. Typically, there will be a cap on the initial interest rate to limit how high it can go, plus a cap on the amount the rate can change over the life of the loan. It is important that you know what that is before you lock in one of these loans.
- iii. **"Interest-Only Loans"** - In this type of mortgage all the payments go toward interest and nothing goes toward paying off the house.
 1. For those buyers who need a rock-bottom payment for several years, the interest-only mortgage loan, as its name implies, allows them the option of paying only the interest for the first few years of the loan.
 2. An interest-only loan may be appropriate for homebuyers who believe their income will increase in the coming years -- for instance, young families or a professional just starting out at

the bottom of a potentially lucrative field such as law or medicine.

3. It may be an option if the homeowner truly believes that the house will rise significantly in value in a short amount of time. In this case it is really a gamble, because if the house lowers in value, as we have seen happen, the homeowner can be stuck owing much more than the house is worth because they have never made any payments toward the loan itself.

3) The Loan Process

a. The loan process can be broken down into the following areas:

- i. **"Research"** - Make sure you do your research and shop around for the right loan product for you.
- ii. **"Pre-Approval"** - It is important that you get with the lender before you start looking for a home to determine just how much money they will lend you to buy a home. If you are **pre-approved** you have a guarantee from that lender that they will lend you a certain amount if you buy within a limited time period. Usually 30 to 60 days. At this time you will have to supply personal information and documents such as bank statements, pay stubs, tax returns and W2s.
- iii. **"Finalizing the Loan Application"** - After you have chosen the home to buy and have an executed and signed purchase agreement, now is the time to finalize your loan application by providing updated information such as bank statements and pay stubs.
- iv. **"Loan Processing"** - This is the review process the lender does with the application. This is where they will verify your sources of income and look at your credit report. They will also have an appraisal done on the property during this period to make sure the house is worth what they are lending on it. Don't be surprised if they ask for some more detailed personal information during this stage, this is normal.
- v. **"Loan Approval"** - Once you are approved for the loan the lender will give you a "Conditional Approval" letter. This letter states that as long as nothing changes and no problems arise between now and the loan closing, they will give you the home loan.
- vi. **"Closing on the Loan"** - This is the last step. This is done at the bank or at another location designated by the bank. The closing is the day where you will sign all the paperwork on the loan and to complete the sale of the house.
- vii. **"Making the Payments on Time"** - This is important in order to be able to keep the home. If you stop making the payments, your lender has

the legal right to foreclose on the loan and if this happens, you will lose your home.

4) Items You Need to Provide to Your Lender

- a. Following is a list of items your lender may ask you to produce in order to get a loan:
 - i. Photo I.D.
 - ii. Last two pay stubs
 - iii. Proof of other income
 - iv. Last two years tax returns
 - v. Employment history (two years), including addresses and contact information
 - vi. Previous lenders or landlords (past two years)
- b. They may also ask for some or all of the following:
 - i. A list of All debts
 - ii. A list of All savings
 - iii. Your source of down payment

5) What to do if you are Denied a Home Loan

- a. If a lender rejects your loan application, it's required under the Equal Credit Opportunity Act for the lender to tell you the specific reasons your application was rejected or tell you that you have the right to learn the reasons if you ask within 60 days.
- b. The lender is also required to send you something in writing to inform you that you have been denied. They should send you information on how to obtain a free copy of your credit report from www.annualcreditreport.com
- c. To help you understand what you should do next when this happens you should speak to a Housing Counselor.

If you feel like you have a good understanding of these five main concepts in Unit 3, then you are ready to move forward to Unit 4. If you feel you may want more information on any of these topics, feel free to look at those sections again, or you can ask your local Housing Counselor at a HUD approved Housing Counseling Agency. You can find the nearest one to you at:

http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor



UNIT 4

Total Home Inspection Checklist

Use a checklist like this to make sure that you are looking at all parts of the house. Check off those items that are in good condition and make notes about those that are not. (Note that this list describes an ideal house, but in our experience no house is perfect – not even brand new ones!!)

Please Note:

This checklist should not be relied upon as a home inspection report, nor should it be considered a substitute for a home inspection. This list is representative, but NOT exhaustive. If you require a home inspection, contact Total Home Inspection or another qualified, educated, licensed, experienced ASHI certified home inspector in your area.

Grounds

- ____ Proper grading drainage away from house
- ____ No evidence of standing water
- ____ No leaks from septic tank or leech field
- ____ Yard, landscaping, trees and walkways in good condition
- ____ No branches or bushes touching house or overhanging the roof
- ____ Exterior structures (fences, sheds, decks, retaining walls, detached garages) in good condition, no evidence of termite damage or rotted wood
- ____ Railings on stairs and decks are adequate and secure
- ____ Driveways, sidewalks, patios, entrance landings in good condition, and pitched away from structure
- ____ Downspout drainage directed away from structure

Structure

- ____ Ridge and fascia board lines appear straight and level
- ____ Sides of house appear straight, not bowed or sagging
- ____ Window and doorframes appear square (especially bowed windows)

____ Visible foundation in good condition - appears straight, plumb, with no significant cracks

Exterior Surfaces

____ Adequate clearance between ground and wood siding materials (6" minimum); no wood-to-earth contact

____ Siding: no cracking, curling, loose, rot or decay

____ Masonry veneers: no cracks in joints, no broken, spalling or flaking components

____ Stucco: no large cracks (discuss all stucco cracks with a professional inspector)

____ Vinyl or aluminum siding: no dents, damage, no bowing or loose siding

____ No vines on surface of structure

____ Exterior paint or stain: no flaking or blisters

____ No stains on exterior surfaces

Windows, Doors and Wood Trim

____ Wood frames and trim pieces are secure, no cracks, rot or decay

____ Joints around frames are caulked

____ No broken glass (window or storm panes) or damaged screens, no broken double-paned, insulated window seals.

____ Muntin and mullion glazing compound in good condition

____ Storm windows or thermal glass used

____ Drip caps installed over windows

Roof

____ Composition shingles: no curling, no cupping, no loss of granulation particulate, no broken, damaged or missing shingles, no more than two layers of roofing

____ Wood shingles or shakes: no mold, rot or decay, no cracked/broken/missing shingles, no curling

____ Flat roofs: no obvious patches, no cracks or splits, minimal blisters/"alligatoring" and wrinkles, no silt deposits (indicates improper drainage), sealed tar at flashings

____ Flashing around roof penetrations

____ No evidence of excess roofing cement/tar/caulk

____ Soffits and fascia: no decay, no stains

____ Exterior venting for eave areas: vents are clean and not painted over

____ Gutters: no decay or rust, joints sealed, attached securely to structure, no bending or sagging, no sections of gutter or downspout missing, gutters clean, no mud deposits

____ Chimneys: straight, properly flashed, no evidence of damaged bricks or cracked joints, mortar/cement cap in good condition

Attic

____ No stains on underside of roofing, especially around roof penetrations

____ No evidence of decay or damage to structure

____ Sufficient insulation and properly installed insulation (moisture barrier installed closest to the heated area of the house)

____ Adequate ventilation, clear path into attic for air entering through soffit vents, adequately sized gable end louvers, all mechanical ventilation operational

____ No plumbing, exhaust or appliance vents terminating in attic

____ No open electrical splices

Interior Rooms

- ____ Floors, walls and ceilings appear straight and plumb and level
 - ____ No stains on floors, walls or ceilings
 - ____ Flooring materials in good condition
 - ____ No significant cracks in walls or ceilings
 - ____ Windows and exterior doors operate easily and latch properly, no broken glass, no sashes painted shut, no decay; windows and doors have weather-stripping, "weep holes" installed
 - ____ Interior doors operate easily and latch properly, no damage or decay, no broken hardware
 - ____ Paint, wall covering, and paneling in good condition
 - ____ Wood trim installed well and in good condition
 - ____ Lights and switches operate properly
 - ____ Adequate number of three pronged electrical outlets in each room
 - ____ Electrical outlets test properly (spot check)
 - ____ Heating/cooling source in each habitable room
 - ____ Evidence of adequate insulation in walls
 - ____ Fireplace: no cracking or damaged masonry, no evidence of back-drafting (staining on fireplace façade), damper operates properly, flue has been cleaned, flue is lined
-

Kitchen

- ____ Working exhaust fan that is vented to the exterior of the building
- ____ Ground Fault Circuit Interrupter ("GFCI") protection for electrical outlets within 6 feet of the sink(s)
- ____ Dishwasher: drains properly, no leaks, baskets, door spring operates properly

- ____ No leaks in pipes under sinks
 - ____ Floor in cabinet under sink solid, no stains or decay
 - ____ Water flow in sink adequate
 - ____ No excessive rust or deterioration on garbage disposal or waste pipes
 - ____ Built-in appliances operate properly
 - ____ Cabinets in good condition: doors and drawers operate properly
-

Bathrooms

- ____ Working exhaust fan that doesn't terminate in the attic space
 - ____ Adequate flow and pressure at all fixtures
 - ____ Sink, tub and shower drain properly
 - ____ Plumbing and cabinet floor under sink in good condition
 - ____ If sink is metal, it shows no signs of rust, overflow drain doesn't leak
 - ____ Toilet operates properly
 - ____ Toilet stable, no rocking, no stains around base
 - ____ Caulking in good condition inside and outside of the tub and shower area
 - ____ Tub or shower tiles secure, wall surface solid
 - ____ No stains or evidence of past leaking around base of bath or shower
-

Miscellaneous

- ____ Smoke and carbon monoxide detectors where required by local ordinances
- ____ Stairway treads and risers solid
- ____ Stair handrails where needed and in good condition

____ Automatic garage door opener operates properly, stops properly for obstacles

Basement or Mechanical Room

____ No evidence of moisture

____ Exposed foundation; no stains no major cracks, no flaking, no efflorescence

____ Visible structural wood: no sagging, no damage, no decay, no stains, no damage from insects, sills attached to foundation with anchor bolts

____ Insulation at rim/band joists

Crawl Space

____ Adequately vented to exterior

____ Insulation on exposed water supply, waste and vent pipes

____ Insulation between crawl space and heated areas, installed with vapor barrier towards heated area

____ No evidence of insect damage

____ No evidence of moisture damage

Plumbing

____ Visible pipes: no damage, no evidence of leaks, no signs of stains on materials near pipes; drain pipes slope slightly down towards outlet to septic/sewage system

____ Water heater: no signs of rust, vented properly, sized to produce adequate quantities of hot water for the number of bedrooms in the house.

____ Water pump: does not short cycle

____ Galvanized pipes do not restrict water flow

____ Well water test is acceptable

____ Hot water temperature between 118 - 125 degrees Fahrenheit

Electrical

____ Visible wiring: in good condition, no "knob-and-tube" wiring, no exposed splices, cables secured and protected

____ Service panel: adequate capacity, all cables attached to panel with cable connectors; fuses or breakers are not overheating

____ No aluminum cable for branch circuits

Heating/Cooling System

____ Appears to operate well throughout (good air flow on forced hot air systems)

____ Flues: no open seams, slopes up to chimney connection

____ No rust around cooling unit

____ No combustion gas odor

____ Air filter(s) clean

____ Ductwork in good condition

____ No asbestos on heating pipes, water pipes or air ducts

____ Separate flues for gas/oil/propane and wood/coal

HomeTRACK Important Concepts - Unit Four

Shopping for a Home

Four down and one to go! You only have one more unit left to complete your HomeTRACK experience. The following are key concepts we explored in this unit:

1) The Homebuying Team

- a. There are many people involved when you buy a home. Following is a list of many of those:
 - i. Housing Counselor - Works with home buyers to determine readiness to buy a home. Usually works for a not for profit agency.
 - ii. Realtor - Helps the buyer to find a home and negotiate the purchase price.
 - iii. Loan Originator - Gathers all the documents needed from the buyer and helps find the best loan available.
 - iv. Loan Underwriter - Approves the loan by looking over documents provided.
 - v. Home Inspector - Determines the condition the home is in, and gives a report on the condition of the home.
 - vi. Appraiser - Determines the value of the home.
 - vii. Surveyor - Determines the area of land you are buying.
 - viii. Closing Agent - Oversees the paperwork details when the ownership of the home is transferred from the seller to the buyer

2) Real Estate Professionals

- a. When a Realtor only represents the seller, they are called a "**Seller's Agent**".
- b. When a Realtor only represents the buyer, they are called a "**Buyer's Agent**". It is always best to work with your own Buyer's Agent who only represents your interests.
- c. In some cases, the Realtor can represent both the buyer and the seller. Not all states allow for this but many do. When a Realtor represents both the Buyer and the Seller, they are called a "**Limited Agent**". Sometimes this is called a "**Dual Agent**", but no matter if they are called a Limited or Dual Agent, their job is to represent the rights and responsibilities of both the buyer and the seller. They will work as the go between in negotiating between the two.

3) Different Types of Home Ownership

- a. There are various legal ways to have ownership in a home. It is good for you to know these, especially if you are not buying the home by yourself. Following is a list of the most common legal forms of homeownership:
- b. **"Sole Ownership"** As the term implies, this means that only one person owns the home. The person owning the home has all rights and responsibilities of homeownership and can sell the property whenever they please.
- c. **"Joint Tenancy"** This is the most common of property ownership when a married couple buys a home. However it can also be used by two people that are not married to buy a home. In this case, each of the two has complete ownership of the property. When one joint tenant dies, his/her interest automatically goes to the surviving joint tenant by operation of law. More than two people can have joint tenancy and this can be a way for more than one person to purchase a home together. Some states do not allow this form of property ownership.
- d. **"Tenancy in the Entirety"** Some states have a special form of joint tenancy when the joint tenants are husband and wife, with each owning a one-half interest. In this case, neither spouse can sell the property without the consent of the other.
- e. **"Tenants in Common"** In this case, the property is owned by two or more persons at the same time. When one of the owner dies, their interest in the property passes to the person or persons named in the will, who then become new tenants in common with the surviving tenants in common. None of the tenants in common automatically receives the share of the one that dies. There is no right of survivorship as with joint tenants.
- f. **"Community Property"** The last type we discussed is called Community Property. In states that recognize community property, a special form of joint tenancy exists between husband and wife, with each owning a one-half interest. Upon death, the decedent's interest passes in a manner similar to tenants in common. Words in the deed such as "John and Mary, husband and wife as community property", establishes community property ownership.

4) Understanding Purchase Contracts

- a. The most important thing to remember about a Purchase Agreement is that it is a legal contract.
- b. Like any other legal contract there are ramifications if someone does not keep up their part of the agreement.
 - i. If you are not able to close on the home by the date the contract says, the owner has the right to back out of the deal.

- ii. The owner may be able to keep your Earnest Money if you do not buy the home.
- iii. If your contract says the homeowner is supposed to leave something behind such as a major appliance and they do not, then you have the right to legally pursue the homeowner.

5) Home Inspections

- a. It is highly recommended that you always have the home inspected by a licensed home inspector before you purchase it.
- b. Some lenders do not require a home inspection - but you should always demand to have one done.
- c. The inspector is working for you and you should receive a copy of the home inspection report.
- d. If there are questions about what is found you can call the inspector to seek clarification.
- e. In most states the home buyer is responsible for paying for the home inspection. If you decide to not purchase the home you will still need to pay for the inspection.
- f. If something is found to be wrong with the home the buyer typically has the right to demand that the item be corrected by the home owner or the buyer can decide to not purchase the home.
- g. If the home is sold "as is" and the inspection finds something wrong with the property the buyer may be able to walk away from the deal, but the buyer will in most cases forfeit any earnest money paid to the seller.

If you feel like you have a good understanding of the main concepts in Unit 4, then you are ready to move forward to Unit 5. If you feel you may want more information on any of these topics, feel free to look at those sections again, or you can ask your local Housing Counselor at a HUD approved Housing Counseling Agency. You can find the nearest one to you at:

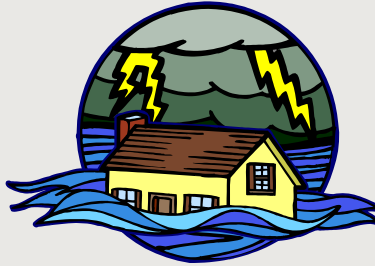
http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor



UNIT 5

HomeTRACK

HOME EMERGENCY KIT



BUILD A KIT

A disaster supplies kit is simply a collection of basic items your household may need in the event of an emergency.

Try to assemble your kit well in advance of an emergency. You may have to evacuate at a moment's notice and take essentials with you. You will probably not have time to search for the supplies you need or shop for them.

You may need to survive on your own after an emergency. This means having your own food, water and other supplies in sufficient quantity to last for at least 72 hours. Local officials and relief workers will be on the scene after a disaster but they cannot reach everyone immediately. You could get help in hours or it might take days.

Additionally, basic services such as electricity, gas, water, sewage treatment and telephones may be cut off for days or even a week, or longer. Your supplies kit should contain items to help you manage during these outages.

FAMILY SUPPLY LIST

Ready Kids & The Federal Emergency Management Agency present:

Family Supply List

Emergency Supplies:

Water, food, and clean air are important things to have if an emergency happens. Each family or individual's kit should be customized to meet specific needs, such as medications and infant formula. It should also be customized to include important family documents.

Recommended Supplies to Include in a Basic Kit:

- Water, one gallon of water per person per day, for drinking and sanitation
- Food, at least a three-day supply of non-perishable food
- Battery-powered radio and a NOAA Weather Radio with tone alert, and extra batteries for both
- Flashlight and extra batteries
- First Aid kit

- Whistle to signal for help
- Infant formula and diapers, if you have an infant
- Moist towelettes, garbage bags and plastic ties for personal sanitation
- Dust mask or cotton t-shirt, to help filter the air
- Plastic sheeting and duct tape to shelter-in-place
- Wrench or pliers to turn off utilities
- Can opener for food (if kit contains canned food)

Clothing and Bedding:

If you live in a cold weather climate, you must think about warmth. It is possible that the power will be out and you will not have heat. Rethink your clothing and bedding supplies to account for growing children and other family changes.

One complete change of warm clothing and shoes per person, including:

- A jacket or coat
- Long pants
- A long sleeve shirt
- Sturdy shoes
- A hat and gloves
- A sleeping bag or warm blanket for each person

Family Supply List (continued)

Below are some other items for your family to consider adding to its supply kit. Some of these items, especially those marked with a * can be dangerous, so please have an adult collect these supplies.

- Emergency reference materials such as a first aid book or a print out of the information on www.ready.gov
- Rain gear
- Mess kits, paper cups, plates and plastic utensils
- Cash or traveler's checks, change
- Paper towels
- Fire Extinguisher
- Tent
- Compass
- Matches in a waterproof container*
- Signal flare*
- Paper, pencil
- Personal hygiene items including feminine supplies
- Disinfectant*
- Household chlorine bleach* - You can use bleach as a disinfectant (diluted nine parts water to one part bleach), or in an emergency you can also use it to treat water. Use 16 drops of regular household liquid bleach per gallon of water. Do not use scented, color safe or bleaches with added cleaners.
- Medicine dropper
- Important Family Documents such as copies of insurance policies, identification and bank account records in a waterproof, portable container

From: <http://www.ready.gov/build-a-kit>

Emergency Kits can also be purchased through the Red Cross. Information can be found it:

<http://www.redcrossstore.org/>



100 Ways to Save Energy at Home

Cooling

- Switch your ceiling fan to turn in a counter-clockwise direction In the summer; in the winter, run it at low speed, but clockwise.
- Close your exterior doors and windows tightly when the AC is on. Save even more by turning off kitchen and bath exhaust fans.
- Change or clean your AC's air filters at least once a month to keep your system running at peak performance.
- Make sure your AC has a rating – or Seasonal Energy Efficiency Ratio (SEER) – of 15. Not only will your AC be more efficient, you could also be eligible for a rebate up to \$300.
- Make saving automatic: Set your thermostat fan switch to "auto" to save energy. Leaving it in the "on" position keeps air running constantly.
- Block the sun from overheating your home! Inside, use shades, blinds and drapes. Outside, use awnings, trees and shrubs.
- Insulate your walls with injected foam insulation to help you save energy by keeping hot outside air from seeping through porous block walls – check with your local building supply company for details.
- Give your AC tune-up. Running an inefficient AC system can result in high monthly bills. Plus, you could qualify for a rebate.
- Open interior doors so that cooled air flows freely throughout your home.
- Repair leaky ducts to reduce heating and cooling costs and qualify for a rebate up to \$120 toward repairs.
- Install attic insulation rated R-30 and sealing any attic leaks to reduce high home cooling costs. You'll save money each month and qualify for a rebate of \$75 or more.
- Check for household leaks to make sure air isn't escaping through openings such as fireplace dampers, doors and windows.
- Decorate for a cooler home by hanging light-colored curtains that allow light to enter a room while blocking some of the sun's rays, and light-colored paint to reflect heat.
- Close unused air vents. If you have central AC you can close air vent in rooms you're not using so you're not paying to cool them.
- Plant trees to provide shade on the sunny side of your home.
- Use ceiling fans to cool off for less. Ceiling fans use no more electricity than a standard light bulb. However, be sure to turn fans off when you leave — they only cool people, not rooms.
- Install more ceiling fans. Because the breeze of a fan can make you feel three to four degrees cooler, you can raise that thermostat and still stay comfortable.
- Raise the temperature on your thermostat by a few degrees to save on your cooling costs.
- Install a programmable thermostat to adjust your temperature during the day.

Heating

- Cover all bare floors. Carpeting or rugs add to comfort and heat retention, especially if there is little or no floor insulation.
- Raise the temperature slowly to keep your bill lower. Quickly raising your heat pump's temperature activates the heat strip, which uses tons of energy.
- Set your thermostat to 68-70 degrees during the day in the winter, and 65-68 degrees at night to keep your home comfortable and save on heating costs.
- Close the flue in your fireplace and install glass doors to keep in the warm air.
- Limit your use of portable heaters. They're great for "spot" heating, but running a 1,500-watt heater 24/7 can be expensive.
- Keep your thermostat close to the outside temperature – it's cheaper to keep your home at 70°F when it's 50°F outside than when it's 30°F.
- Don't block air vents with drapes and furniture.
- Get an energy-efficient heat pump and you could cut your heating costs in half. Duke Energy Progress offers rebates.
- Change the filters in your heating system every month for optimum efficiency.
- Give your air compressor space to work efficiently. Never stack anything against your HVAC or drape anything over it.
- Set your thermostat to 60 degrees if going on vacation during the winter months, but don't turn it off.
- Heat your home with the sun's help. Leave window shades or blinds open during the daytime. And consider using solar heat to supplement your normal heating source.
- Lower your thermostat every time you leave the house.

Lighting

- Buy bulbs for less. Check out the Duke Energy Progress Residential Lighting Program to find local retailers who offer energy-efficient compact fluorescent (CFL) bulbs at discounted prices.
- Replace standard bulbs with CFLs. Compact fluorescent light bulbs are more energy-efficient than regular bulbs, while giving off the same amount of light.
- Use the right bulb. Make sure you're using the appropriate CFL bulb for your light fixture – they come in various sizes and types for different lighting needs.
- Replace halogen light bulbs, which can get hot enough to be a fire hazard, with CFLs – they use less energy and don't get as hot.
- Use motion-detector lights for all your outdoor lighting – they're convenient and efficient.
- Recycle your CFL bulbs. Check the CFL recycling page to find out how, where and why.
- Replace your five most-used light fixtures and/or bulbs with ENERGY STAR® products. If every American did so, we would save about \$8 billion per year in energy costs.

- Consider using timers to turn lights on in the morning and off during the day.
- Choose outdoor CFLs for outdoor lighting – they last up to 10 times longer than standard bulbs.
- Select light-colored or opaque lamp shades. Place lamps in corners so they reflect light from two walls.
- Install fluorescent tubes as an efficient way to light your workshop or playroom.

Appliances

- Use microwaves and toaster ovens to cook or warm leftovers. You'll use less energy than cooking with a conventional oven.
- Pull the plug on that second fridge located in the hot garage or utility room. Duke Energy Progress will pick it up and pay \$50 to recycle it.
- Set your refrigerator temperature between 30 and 42°F. Use the power-save switch if you have one.
- Repair refrigerator door seals if you feel cold air around the closed door or if moisture is collecting.
- Replace a refrigerator bought in 1990 with an ENERGY STAR®-qualified model – energy-efficient models cost less to operate than older refrigerators.
- Dust your fridge the next time you dust your house. Check the coils behind the refrigerator — and use coil vacuums or dusters to clean it off and keep costs down.
- Keep your freezer full – it uses less energy than an empty one. For maximum savings, consider filling your freezer with gallon containers of water.
- Choose energy-efficient appliances. They don't just save you money, but they're good for the environment because they use less energy.
- Replace your refrigerator. Look for the yellow Energy Guide® label to compare features. Choose models with improved insulation and power-saving switches.
- Wash and dry several loads at once, so that your dryer isn't completely cooled down when it heats up for the next load.
- Avoid over-drying your clothes. It wastes energy, plus causes static and wrinkling.
- Separate wash loads into light and heavy fabrics for the shortest drying times. Or better yet – air-dry your lightest fabrics.
- Vent your dryer to the outside to reduce the workload on your air conditioner.
- Wash full loads of clothes when possible. When smaller loads are necessary, use less water.
- Hang dress clothing to air dry on portable laundry racks; they will also look better.
- Clean the dryer lint filter before every load to keep your dryer running efficiently.
- Set your dishwashers on economy mode, to use less water and electricity.
- Turn off your dishwasher after the wash cycle — and let your dishes air-dry. You'll save energy and keep your dishwasher from heating up your kitchen.
- Keep the oven door closed while cooking – the temperature can drop by as many as 25 degrees each time you open the oven door.
- Grill out more often during the summer. Using the oven in the heat of summer forces your AC to work harder, which raises your energy bill.

- Use copper-bottomed pots and pans that use heat more efficiently when cooking on the stove.
- Keep stove reflector pans clean to reflect more heat upward while cooking.
- Turn off your oven or burners when food is almost ready and let existing heat finish the cooking for you.
- Use tight-fitting covers on pots and pans when cooking on the stove to shorten your cooking time and save energy.
- Match your pot size to the burner on your stove. Heat is lost when small pots are used on large burners.
- Turn off kitchen and bath fans immediately after use.

Water heating

- Always wash with cold water, laundry detergent works just as well, and you'll save 40 cents per load.
- Check your hot water pipes for leaks, which can drain your energy savings.
- Install aerating, low-flow faucets and showerheads – available at home improvement stores – to reduce your hot water use.
- Turn off your water heater until if you plan on leaving home for a few days. And you get back. Most models will reheat the water to the set temperature in about an hour.
- Shorten those showers to cut hot water costs.
- Insulate the first six feet of the hot and cold water pipes connected to the water heater. It'll keep your comfort high and your energy bills low.
- Install a solar water heater to save energy and money by using solar power.
- Get an insulation wrap to help your old water heater heat in more effectively.
- Reduce your water heater temperature setting from 140 degrees to 120 degrees — it will save you money while keeping water hot enough for showers and cleaning dishes.
- Look for the Energy Guide label when purchasing a new water heater — if a more efficient heater is more expensive, you'll save money over time.
- Make sure you are washing a full load if you like using hot water for your laundry.
- Stop that dripping hot water faucet. Leaky faucets not only increase water bills but also increase gas or electricity use for heating the wasted water.
- Install a timer for your water heater that will turn it off when you are not at home.
- Choose the right water heater for your needs. While they may promise savings, tankless models are pricey to install – and on-demand water heaters may actually increase your electric bill.

Electronics

- Plug electronics into a power strip, then turn the strip off when not in use to save in energy costs.
- Avoid energy vampires. Even when they're turned off, home electronics in "standby" mode use energy to power features like clock displays.

- Look for ENERGY STAR-qualified TVs – they're up to 30 percent more efficient than noncertified models.
- Consider a laptop next time you're looking to buy a computer – they use less energy than desktop computers.
- Set your computer to sleep or hibernate mode instead of using a screen saver so it uses less electricity during periods of inactivity.
- Unplug battery chargers when the batteries are fully charged or the chargers are not in use. Many chargers draw power continuously, even when the device is not plugged into the charger.

Windows

- Install high-performance windows, screens and films to protect upholstery, wood and artwork from UV rays while saving energy.
- Eliminate "hot spots" in your home by using High-performance windows, solar window screens and qualified window films.
- Consider high-performance windows before you replace your AC system. They're so efficient that they may help reduce the size and cost needed for a AC system.
- Install high-performance windows with double-glazing and spectrally selective coatings that reduce heat gain and avoid cranking up your AC.
- Look for the National Fenestration Rating Council label when shopping for new windows: It means the window's performance is certified.

Roofing

- Reduce the strain on your AC by applying reflective coating. This will help you save by decreasing the amount of heat coming into your home.
- Keep your roofs lasting longer. Reflective roofs not only reduce heat buildup, they also prevent the expansion and contraction that degrade roofs.
- Replace the roof with one with an ENERGY STAR® label. It will save energy and help protect the environment through superior energy-efficiency.



HomeTRACK Seasonal Home Maintenance Checklist

Outdoor Tasks:



- Clean gutters and downspouts.
- Inspect roof and chimney for cracks and damage.
- Touch up peeling or damaged paint.
- Wash all windows, inside and out.
- Install screens on windows and doors.
- Clean outdoor furniture and air out cushions.
- Service your lawn mower.
- Fertilize your lawn.

Indoor Tasks:

- Test smoke and carbon monoxide detectors when you set clocks forward.
- If your basement has a sump pump, test it by dumping a large bucket of water into the basin of the sump pump. This should activate the sump pump. If it does not switch on or if it's not pumping water, it may need to be serviced by a professional. Also, check for and remove any debris and make sure there are no leaks.
- Dust blinds and vacuum curtains throughout your house.

Outdoor Tasks:



- Walk around your home's exterior and slide open crawl space vents at the foundation.
- Prune trees and shrubs.
- Remove lint from dryer exhaust vent on the outside of the home with a long, flexible brush.
- Uncover central air conditioner and install window air conditioners.

Indoor Tasks:

- Change or clean heating, ventilating and air conditioning filters. Consult manufacturer instructions for your furnace to determine whether you need to change filters more frequently.
- Clean kitchen appliances inside and out, including refrigerator coils.
- Maintain clean drains by adding a half-cup of baking soda followed by a half-cup of white vinegar. After 10 minutes, flush with boiling water.
- Drain or flush water heater.

Outdoor Tasks:



- Clean gutters and downspouts.
- Inspect roof and chimney for cracks and damage.
- Rake leaves and shred to use as mulch or dispose of them based on local guidelines.
- Close or install storm windows.
- Remove hoses from spigots and drain and store indoors, coiled and flat.
- Store outdoor furniture and cushions.
- Test snow blower and have it professionally serviced if necessary.

Indoor Tasks:

- Test smoke and carbon monoxide detectors when you set clocks back in the fall.
- Check windows and doors for weather-tightness and install weather stripping where it's needed.
- Have furnace professionally inspected.
- If needed, set traps for rodents.
- Dust blinds and vacuum curtains throughout your house.

Outdoor Tasks:



- Walk around your home's exterior and check the crawl space vents located at the foundation. Close any that are open.
- Protect your central air conditioning unit with a cover, and remove and store window air conditioners.
- Clean and store garden tools.
- Move snow shovels and snow blowers to a convenient spot.

Indoor Tasks:

- Change or clean furnace filters. Consult manufacturer instructions for your furnace to determine how frequently the filters should be replaced.
- Clean kitchen appliances inside and out, including refrigerator coils.
- Maintain clean drains by adding one-half-cup baking soda followed by one-half-cup white vinegar. After 10 minutes, flush with boiling water.



What to keep, when to toss documents

Keep these documents at home

Documents	When to toss them
Bank deposit slips	After you reconcile your statements
Banking statements	After a calendar year; store with tax returns if they will be used to prove deductions
Brokerage, 401(k), IRA, Keogh, and other investment statements	Shred monthly and quarterly statements as new ones arrive; hold on to annual statements until you sell the investments
Credit-card bills	After you check and pay them, unless you need them to support tax filings
Employer defined-benefit plan communications	Never
Household warranties and receipts	After you no longer own the household items
Insurance policies	After you renew them
Investment purchase confirmations and 1099s	Hold until you sell the securities, then keep with your tax records for an additional seven years
Pay stubs	After you reconcile them with your W-2
Receipts	After you reconcile them with your credit-card or bank statement unless needed for a warranty
Safe-deposit box inventory	Never, but review and update annually
Savings bonds	Cash them in when they mature
Social Security statements	When you get a new statement, then shred the old one
Tax returns and supporting documents	After seven years



Keep these in a safe-deposit box

Documents	When to toss them
Birth and death certificates	Never
Estate-planning documents	Never
Life-insurance policies	Never, or when a term policy has ended
Loan documents	After you sell your home, automobile, boat, or whatever the loan was for
Marriage licenses and divorce decrees	Never
Military discharge papers	Never
Social Security cards	Never
Vehicle titles	After you sell the car, boat, motorcycle, or other vehicle

HomeTRACK Important Concepts - Unit Five

Maintaining a Home and Finances

Great job on completing HomeTRACK! You should be very proud of yourself. This last section focused on "Maintaining a Home" and "Finances". Following are the key concepts we explored in this unit:

1) Maintaining and Protecting a Home

- a. We all hope that nothing breaks, but chances are, the longer that we own a home, the more likely things are to need repaired or replaced.
- b. When we buy a house, we buy a whole lot of items that are glued, screwed, bolted and nailed together! We are buying things like toilets, sinks, cabinets, flooring, roofs, and furnaces. All of those things, at one time or another, will either wear out, breakdown, or simply quit working and will have to be replaced.
- c. That is why it is important that each month we put money back for repairs on these things.
- d. You should work with a Housing Counselor to determine just how much you should set aside each month - but you should plan on saving anywhere from \$50 to \$100 a month for repairs.

2) Home Safety and Security

- a. Every home needs to have an Emergency Kit in case of a disaster.
- b. In the emergency kit you should have things like:
 - i. Fresh water
 - ii. Canned food with a can opener (non-electric)
 - iii. Battery powered radio and extra batteries
 - iv. Flashlight and extra batteries
 - v. First Aid Kit
 - vi. This is just a sample of things you should have in your Home Emergency Kit. If you did not print off a detailed list earlier you can find a list at the website for the American Red Cross.

3) Seasonal Home Maintenance

- a. During different parts of the year homeowners need to do various chores around the house to make sure the home is in the best shape it can be.
- b. Left neglected a home can quickly deteriorate.
- c. At the end of this section we have included the HomeTRACK Seasonal Home Maintenance Checklist. Print off this list and place it somewhere in your new

home to remind you which jobs you should be performing at various times of the year.

4) What to do if I Cannot Pay my Mortgage Payment

- a. Life happens. Something could happen which may make it difficult, if not impossible to make a monthly mortgage payment.
- b. If you find yourself in the situation of not being able to make your mortgage payment you should do the following:
 - i. Do not hide from your lender! Reach out to your lender early on and let them know what is happening, they may have programs that can help.
 - ii. See if your lender can change the payment date - sometimes when we get paid and when our house payment is due simply does not line up well. You can request that your lender change your payment due date. Most lenders will allow for this.
 - iii. Open any correspondence from your lender. Sometimes when we are behind on the mortgage, fear makes us not want to open the items they send to us. Make sure you open the mail they send you. They may be trying to reach you to offer a resolution to being behind on your mortgage that you are not aware is possible.
 - iv. Contact a local Housing Counseling Agency. Housing Counselors are experts in working as a facilitator between the home buyer and the lender. There is no cost to work with a HUD Approved Housing Counseling Agency when you are trying to save your home from foreclosure.

If you feel like you have a good understanding of these four main concepts in Unit 5, then you are ready to move forward with purchasing a home. If you feel you want more information on any of these topics, feel free to look at those sections again, or you can ask your local Housing Counselor at a HUD approved Housing Counseling Agency. You can find the nearest one to you at:

http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor