Americas Housing 101 .org

HIGHWAY TO HOME OWNERSHIP

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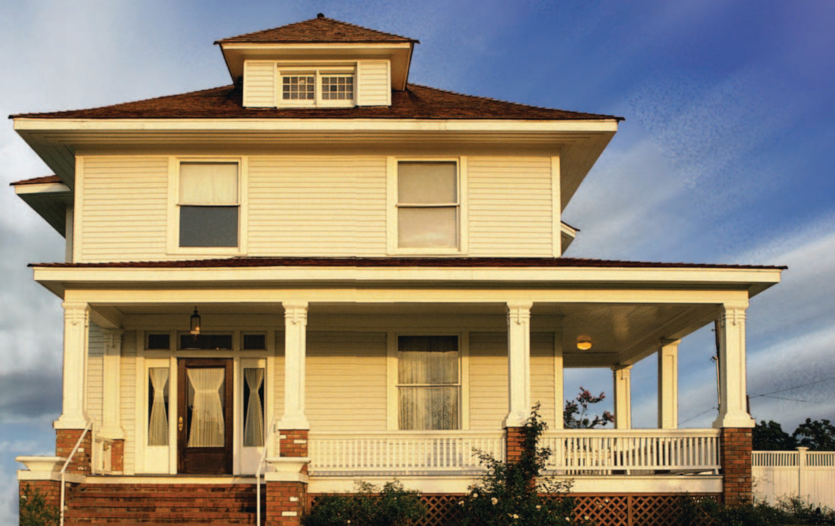

Your complete, and concise guide to save time, effort, and money when buying your next home.

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Welcome!

Welcome to Americashousing101.org, where you will learn the aspects of buying & financing your next home. This website will show you step-by-step how to save time, effort & money when buying your next home. Anyone considering the purchase of a home will gain valuable insight from this website especially first time home buyers. Americas Housing Educators, LLC, started this website as a way to show renters and move up homebuyers a way to take the stress and concern out of buying a home.

Our goal is to become the number home buying website in the nation. Our main objectives are to educate all of the families in America on the benefits of home ownership, and to ultimately help you achieve the objective of becoming a homeowner.

This website is designed to take the mystery out of the process and to provide insight. Its purpose is to compel and motivate you toward making the dream of home ownership your goal and reality. The real estate and mortgage industry does little to prepare and educate potential homebuyers on the process of becoming a homeowner. The educational system doesn't offer many courses on home ownership. You could receive a doctorate degree and have 20 + years of education and have not had one hour of education on how to acquire most American's biggest investment - the purchase of a home.

This website is offered to give you the basic knowledge you need. It will uncover many aspects of the process that can save you time, effort, and money when buying a home. It is divided into three main sections.

- **Section One:** Preparing for Home Ownership, which covers renting versus owning, tax benefits, and home ownership as an investment.
- **Section Two:** Identifying Your Housing Needs covers the home buying process
- **Section Three:** Shopping for a Mortgage Loan covers home loan financing, and pre-approval through funding.

This website is derived from our direct involvement in literally thousands of residential real estate and financial transactions during all of our extensive real estate careers. Over the years, the members of this team have closed millions of dollars in home purchases and homes re-finance transactions.

Our goal is to educate, guide and protect our clients while using the highest level of service, expertise, and integrity throughout the process. The basis of our relationship with our clients is trust. Our business is built on the referrals of satisfied clients who put their trust in us. We are going to give you information and knowledge because a knowledgeable consumer is an empowered consumer.

The knowledgeable consumer is going to be the one who saves money. They are going to be more in control and less stressed. The knowledgeable consumer will work with consultants, not a sales person. Consultants are going to help you get from point A to point B. The days of the stereotypical real estate sales person are over. Statistics show that over 80 percent of real estate & mortgage professionals that are in the business today will be out of the business in five years or less. Today, over 80 percent of real estate transactions are handled by less than 20 percent of the Realtors and Bankers. The knowledgeable, empowered consumer is driving the market and is insisting on higher & higher levels of service, expertise, and integrity from their chosen real estate professionals.

Knowing these facts, we base our business philosophy on providing our clients with the highest level of service, expertise and integrity.

Happy home buying

Americas Housing Educators, LLC

Preparing For Homeownership

For most people the American dream is to own their own home. You can make it happen, and becoming as knowledgeable as possible about the home buying process, and what to expect, will help you reach your goal of home ownership with the least amount of obstacles.

First we will help you determine if homeownership is right for you, and whether or not you can afford to buy a home at this time.

We will also help you determine your budget for buying a home, as well as what mortgage lenders look for in securing mortgage loans.

We will explain how first-time home buyers and low – and moderate-income households can extend their borrowing power with a number of flexible mortgage programs.

Are You Ready To Buy A Home?

What is the reason homeownership is appealing to you? Buying a home is not something you just do. It's something that needs to be well thought out, because homeownership necessitates an investment of time and money.

Why Buy A Home?

Here are some advantages to owning your own home.

Your Own Home

A home is a place that belongs to you. At this point in time you are probably prepared to settle down and become a permanent part of your community. Maybe you need more room in which to raise a family. Or, perhaps you want more breathing space than you get in a rental unit.

Financial Benefits of Buying a Home

Buying a home can be an excellent investment for a number of different reasons.

- Steady Housing Costs: Another benefit of owning a home is that while rents normally increase yearly, the principal and interest portions of fixed-rate mortgage payments remain unaffected throughout the entire repayment period. That is 30 years for a 30-year fixed-rate mortgage.
- Increased Value: Houses can increase in value, or "appreciate" over a period of time. A house sold for $100,000.00 ten years ago in certain parts of the country is worth much more today. This increase in value is as good as money deposited in the bank to the homeowner.

- Scheduled Savings: When you buy a house, your monthly mortgage payments build up what lenders call “equity”, an ownership interest in the property that you can borrow against or convert into cash by selling the house. Renters must keep on paying rent, without the chance to accumulate equity, the entire time they rent.
- Tax Incentives: Owning a home can enable you to take advantage of significant tax breaks, which are not offered to renters. Interest paid on a home mortgage is usually deductible. This alone may save you a considerable amount each year in federal income taxes.

Possible Disadvantages Of Buying A Home

In spite of all its appeal, homeownership is not for everybody. Buying a home involves a complicated, time-consuming, and costly procedure that sometimes carries with it un-welcome responsibility.

High Cost of Homeownership

Buying a home may cause a substantial strain on your finances. For the first several years, you should expect to pay more for housing as a homebuyer than as a renter. Property taxes, homeowner’s insurance, utilities, and upkeep added to your mortgage payment can be more than you would pay for rent.

Possibility of Foreclosure

Foreclosure is the sale of a mortgaged property (your home) by the mortgage lender. This happens if the borrower fails to give monthly mortgage payments on a timely basis or otherwise defaults on the mortgage.

Financial institutions can and do foreclose when borrowers fail to make their payments. This can result not only in the loss of your home, but also in the loss of your investment and good credit mark.

Repairs and Maintenance

People retreat from buying a home because they don’t want the responsibility of maintaining a home (mowing the lawn, repairs, etc.).

The Affordability of a Home

If you feel you're ready to buy a home, you need to consider if you can afford to buy one. You don't want to overextend yourself to the point that you can't keep up with your mortgage payments and risk losing your home.

Refer to Worksheet A on page 82 to help you evaluate your current expenses.

Evaluating Your Current Expenses

Most first time home buyers find that after the monthly mortgage payment, moving costs, immediate repairs, property tax, and insurance, that the amount is higher than their previous rent.

If you have money left over at the end of each month after paying your bills, you're probably able to buy a house. If not, proper budgeting of your money could allow you to cover the cost of homeownership.

Most expenses are fixed such as car payments, taxes and insurance. Others are flexible, meaning you decide how much money will be spent on them, such as entertainment and clothes.

Determining how essential it is to own a home is very important. Would you be willing to postpone some purchases, and spend less in other areas?

A good measuring stick to see if your ready to buy a home is to put aside the amount of money you would be willing to pay a month over the cost of your current housing cost. If you can do this, you're probably ready to buy a home.

Just remember that if you can't cover the mortgage and other housing cost each month, you could lose your home.

The Costs of Buying a Home

There are two types of main costs involved in buying a home.

- Upfront costs (the down payment and closing costs)
- Ongoing costs (monthly mortgage payment and homeownership expenses).

Upfront Costs

Upfront costs consist of the down payment, a variety of closing costs, and the costs of moving and settling into your new home.

Down Payment

Most first time homebuyers depend on a mortgage from a financial institution to buy a home. Nearly all mortgage programs require that you give some part of your own funds (the down payment) included in the deal. If you have some of your own money involved, mortgage lenders are more secure that you won't walk away from it if your finances go down.

Customarily, the lenders would expect the buyers to make a down payment of at least 20 percent of the buying price of the house. At present, buyers can pay as little as 0 to 5% down provided they purchase private mortgage insurance (PMI), which helps protect the lender in case the borrower fails to pay off the loan.

Closing Costs

Homebuyers must be ready to pay several additional upfront costs incurred in purchasing a house, along with the down payment. Called "closing costs", these expenses generally range from 3-6% of the mortgage amount. Closing costs will vary from mortgage loan program to mortgage loan program.

Settling-In Costs

There will also be cost involved in moving and settling into your new home. The house may need major repairs, or you might want to purchase new appliances. Just remember these costs so you don't spend all your funds on the buying a home.

Ongoing Costs of Buying a Home

A renter's only ongoing cost is a monthly rent payment. For homeowners, ongoing cost consist of a monthly mortgage payment, property taxes, homeowner's insurance, mortgage insurance (if required by the mortgage lender), and utilities and maintenance.

Monthly Mortgage Payments

Every mortgage payment contains both the repayment of a portion of the principal and the interest. Mortgage lenders refer to payments of principal and interest as "P&I."

Your total monthly payment relies on the amount you borrow, the interest rate, the repayment period (or "term"), and whether you have a fixed-rate or an adjustable-rate mortgage.

For example:

Size of Mortgage	Interest Rate	Term	Monthly Payment (P&I Only)
$160,000	6.5%	30 yrs.	$1,011
$160,000	6.5%	15 yrs.	$1,350

Taxes and Insurance

In most cases, a homebuyer's monthly mortgage payment contains the amount required to repay a part of the principal and accrued interest (P&I), and an extra amount for property taxes, homeowner's insurance and private mortgage insurance. The mortgage lender holds these additional amounts in an individual "escrow" account and then pays the tax and insurance bills when they come due.

The mortgage lender ensures that these annual expenses will be paid on time. If taxes and insurance are not escrowed each month, the homeowner should be prepared to pay off these bills when they come due.

Other Costs of Homeownership

Other ongoing costs of owning a home consist of utilities (gas, water and electricity) and maintenance costs. First-time homebuyers aren't prepared for how expensive basic upkeep is. The cost of utilities may differ greatly (increasing during the summer, dropping in winter). Unexpected repairs also add to the cost making it necessary that homeowners always have available cash on hand.

This has only been a general overview of the expenses involved in buying a home, and if you have the budget to go ahead and begin the home buying process. The next section goes into more detail about the expenses involved in buying a home.

How Expensive A Home Can You Purchase?

An often quoted rule of thumb says you can afford to buy a home that cost up to two and a half times your annual gross income (before taxes).

If you are planning to buy a home with another person, you can add their annual gross income to yours to determine the price when buying a home.

Keep in mind that your buying partner's credit history will also be taken into consideration, and they will also be responsible for repayment of the mortgage loan.

In the end buying a home comes down to two things:

- How much you have available for the down payment.
- How much a financial institution will allow you to borrow!

The next section will cover what resources you can use for your down payment.

Refer to Worksheet B on page 83 to help you calculate you available cash and assets.

Your Down Payment

For first time homebuyers, the price of a home is dictated by the amount of money they have put aside for a down payment, since they haven't built any equity. If you haven't been saving money to buy a home you may want to begin putting money aside from every paycheck.

You're Borrowing Power

Other than your down payment, the main factor limiting the price of your house will be how much you can borrow. When applying for a mortgage loan, the mortgage lender will largely consider two factors in deciding how large a loan to allow you:

- Earnings
- Existing debt

Lender's Qualifying Guidelines

The mortgage lender considers your debt-to-income ratio, which is a comparison of your gross (pre-tax) income to housing and non-housing expenses. Non-housing expenses include such long-term debts as car or student loan payments, alimony, or child support.

According to the FHA, monthly mortgage payments when buying a home should be no more than 31% of gross income, while the mortgage payment, combined with non-housing expenses, should total no more than 43% of income.

The lender also considers cash available for down payment and closing costs, credit history, etc. when determining your maximum loan amount.

Pre-Qualifying

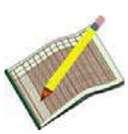
Pre-qualification is an informal way to see how much you may be able to borrow. You can be pre-qualified over the phone with no paperwork by telling a lender your income, your long-term debts, and how large a down payment you can afford.

Without any obligation, this helps you arrive at a ballpark figure of the amount you may have available to spend when buying a home.

Your Gross Income:

All these sources count as income, your gross income is all of your income added up before taxes.

- Seasonal pay
- Child support
- Retirement pension payments
- Unemployment compensation
- VA benefits
- Military pay
- Social Security income
- Alimony
- Rent paid by family
- Part-time pay
- Overtime and bonus pay also count as long as they are steady



Refer to Worksheet C on page 84 to calculate your gross monthly income.

Your Debt Payments

Mortgage lenders will also take into account your existing debt in determining how large a mortgage you should and can apply for.

All of your monthly debt payments are calculated into your debt ratio. Consider paying off a portion if not all of your debt in preparation for buying a home if your debts are excessive.

Refer to Worksheet D on page 85 to help calculate all of your monthly debts.

You and Your Credit Report

You can request your credit profile from a credit reporting agency. A mortgage lender will order a credit check to assess your request for a loan. The credit report gives mortgage lenders record of debts owed and duly repaid. Mortgage lenders verify the amount of debt you currently have, as well as the amount of credit available to you.

Major Credit Reporting Companies

Company Name	Phone Number
Experian	1-888-524-3666
Equifax	1-800-685-1111
Trans Union	1-800-916-8800

Establishing a Credit History

If you do not have a traditional credit record, it is still possible to set up a credit history that illustrates payments made on credit card purchases, a car loan, or a student loan. You can develop a nontraditional credit history by keeping a record of these monthly payments:

- Rent
- Electric
- Gas
- Water
- Telephone
- Cable television companies

- Medical insurance
- Automobile insurance
- Life insurance

Repairing a Bad Credit Report

If your credit report has bad marks on it or you are presently having credit problems, you may not be in a position to buy a home until they are resolved.

Your record of keeping current on your debt payments may be credible if your credit problems are in the past. By law, the most unfavorable credit information should be dropped from your credit file after seven years. A bankruptcy should be dropped after ten years.

Correcting an Erroneous Credit Profile

Sometimes credit reports are incorrect or provide misleading picture of past credit problems that have since been resolved.

If any errors appear on your credit report, you will have the chance to get them fixed before applying for a mortgage.

How to Boost Your Home Buying Power

If you've gone through the mortgage pre-qualifying process and are not satisfied with the amount the mortgage lender will allow you to borrow, you may need to look into buying a home of lesser value.

You could also wait until your income increases, which in turn would raise the amount you could borrow from a mortgage lender when buying a home.

Another option would be to pay-off some of your current debts.

Mortgage Insurance

Mortgage insurance provides protection to the mortgage lender in case the buyer fails to repay a loan. Insured loans by the government (such as FHA loans and VA loans) or by a private mortgage insurer allow the homebuyer to buy a home with a lower down payment.

Private Mortgage Insurance (PMI)

With private mortgage insurance, mortgage lenders will lessen the down payment requirement from 20 percent to as low as 3.5 percent of the purchase price. The cost of PMI will be included in your monthly mortgage payments and your closing costs.

Government-Insured Loans

Mortgage loans are also accessible through these federal government programs:

- The Federal Housing Administration (FHA) mortgage insurance program operated by the U.S. Department of Housing and Urban Development (HUD).
- The Department of Veterans Affairs (VA) loan guarantee program.

FHA Loans

With FHA mortgage insurance, you can buy a home with a very low down payment, currently 3.5% of the FHA appraisal value or the purchase price, whichever is lower. FHA loans have a maximum loan limit that differs and is determined by the average cost of housing in a given region.

VA Loans

The VA guarantee permits eligible veterans to purchase a house costing with no down payment. VA loans have a maximum loan limit that differs and is determined by the average cost of housing in a given region.

The VA qualification guidelines for VA loans are more lenient compared to FHA loans or conventional loans. If you are a qualified veteran, this can be an appealing mortgage loan program.

State and Local First Time Home Buyer Programs

Several states sponsor first time home buyer programs to aid first time home buyers become eligible for a mortgage loan. Local housing agencies also offer attractive loan terms to qualified home buyers in particular areas. These loan terms often consist of low down payments or low interest rates to first-time homebuyers.

Alternative Financing Mortgages

Most lenders offer a broad variety of mortgage types with some mainly aimed toward assisting first-time home buyers.

Adjustable-Rate Mortgage (ARM)

The homeowner’s monthly principal and interest payments do not change with a fixed rate mortgage due to the fact that the interest rate is fixed for the life of the loan.

An adjustable rate mortgage (ARM) differs from a fixed rate mortgage because the interest paid is adjusted to reflect the changing market rates. This is reflected by raising your monthly mortgage payments when interest increase and lowering it when interest rates decrease.

ARMs can offer a lower interest rate than fixed-rate mortgages, which can make it appealing to some borrowers. Because of this, the first time homebuyer can qualify for a larger loan since the monthly payments on an ARM start out lower than for a fixed-rate mortgage.

If you feel confident that your income will increase in the next few years, an adjustable rate mortgage may be right for you.

What is most important is to get pre qualified for a mortgage before buying a home. The mortgage lender should provide you with all available mortgage loan programs that you are qualified for.

So. . .Are You Prepared To Own A Home?

After studying the previous pages, you might not be ready for homeownership at this time. However, you may be able to position yourself to buy a home within a couple of years.

To aid you in determining whether you are in a good position to buy a home, ask yourself the following questions:

- Are you sure you want to buy a home?
- Do you have a permanent job and a steady income?
- Do you see yourself staying in the same location for the next couple of years?
- Have you formed a budget that will enable you to know how much more you can practically afford to pay for housing?
- Do you have an established credit history, or will you be able to create a non-traditional credit history with records of payments to previous landlords, utility companies, cable television companies and insurance companies? If so, do you have a good credit record? Do you pay your bills on time?
- Do you have an adequate amount of money to cover the down payment and closing costs? If not, can you enlist the support of relatives or government or nonprofit agencies that might provide or lend you money?
- Have you been “pre-qualified” by a lender so that you are aware of how much you can borrow based on your income and existing debt?
- Is your existing debt small enough that it will not limit your ability to be eligible for a mortgage? If not, can you lower your debt before you make an effort to purchase a home?
- Have you looked into the benefits and requirements of the many mortgage products that are now available to low –and moderate-income home buyers?

If you can answer yes to all of these questions, you may be well on your way to buying a home!

Identifying Your Housing Needs

When buying a home, most first time home buyers have a general idea of the type and size of a house they want, as well as the location they will feel comfortable in.

If you don't know what type of house is for you, knowing what types of homes are out there will help you make a smart decision as to the type of house that is right for you and your family.

Making a "wish list" will help you and the real estate agent narrow down the number of homes that will suit your needs.

Refer to Worksheet E on page 86 to identify your housing needs.

New Home Vs. Older Home

Most first time home buyers buy an already existing home, but some people like the idea of moving into a new home.

New homes are usually clustered together with the same size and style homes, in the same price range. A new home is more likely to have an efficient heating/cooling system, better insulation, and more affordable to maintain.

Older homes come in all sizes and personalities. They are often made with better quality materials than newer homes, but their age may require more cost to keep it maintained. If you enjoy working with tools, a "handy man special" may be for you.

Location

For many first time home buyers, the location of the home they buy is their most important consideration; for many others, location may not be a real choice. You probably know already whether you will be shopping for a home in an urban, suburban, or rural area. You may already know exactly what neighborhood you want to live in.

Choosing A Neighborhood

When buying a home, select a community that will allow you to best live your daily life. Many people choose communities based on schools. Do you want access to shopping and public transportation? Is access to local facilities like libraries and museums important to you? Or do you prefer the peace and quiet of a rural community?

When you find places that you like, talk to people that live there. They know the most about the area and will be your future neighbors. More than anything, you want a neighborhood where you feel comfortable in after you buy your house.

Size Requirements

When buying a home, there are many important considerations such as:

- Is the number and size of room's right for your needs?
- Is the house large enough for your family size?
- How soon will you outgrow the house?
- Is the size of the lot what you want?
- Is space for a yard, garden, or off-street parking important to you?

Special Features

You should also consider whether there are any particularly important special requirements such as:

- Do you need space for laundry facilities?
- Is a garage necessary?
- Is a second bathroom a necessity?
- Is a front porch a priority?
- Is air-conditioning a must?
- Does the home have wheelchair accessibility?

Discovering Your Dream Home

When buying a home there are many different ways to go about finding an available house that will suit your housing needs:

Word of Mouth – Inform your friends and acquaintances that you are looking for a house. They may know somebody who has just put their house on the market, or will be in the near future.

Newspaper Ads – Searching the classifieds are a good way to find leads. Open houses are also announced in the newspaper which will allow you to see different houses available in certain areas.

For Sale Signs – Driving around the neighborhood you are looking to buy in is a good way to find homes that are for sale by owner and not listed.

Home Buyer Guides – There are many housing publications that are available at convenience stores, newsstands, and supermarkets that list and have descriptions of local houses for sale.

Foreclosure Homes – There are many types of foreclosure homes for sale, such as: HUD Homes, VA Foreclosures, Government Foreclosures, Fannie Mae Foreclosures and Freddie Mac Foreclosures.

How a Real Estate Sales Professional Can Help

Frequently, the first person you consult about buying a home is a real estate agent or broker. Although real estate brokers provide helpful advice on many aspects of home buying, they may serve the interests of the seller and not your interests as the buyer.

The most common practice is for the seller to hire the broker to find someone who will be willing to buy the home on terms and conditions that are acceptable to the seller.

Therefore, the real estate broker you are dealing with may also represent the seller. However, you can hire your own realtor, known as a buyer's broker, to represent your interests. Also, in some states, agents and brokers are allowed to represent both buyer and seller.

Sometimes, the real estate broker will offer to help you obtain a mortgage loan. He or she may also recommend that you deal with a particular lender, title company, attorney, or settlement/closing agent. You are not required to follow the real estate broker's recommendation.

You should compare the costs and services offered by other providers with those recommended by the real estate agent.

Comparison shopping

First time homebuyers look at around six to 15 houses before settling on one. Comparison shopping is an important part of the home-buying process, you can use these guides to try and make it easier to arrive at a house of your choice.

Refer to Worksheet F on page 87 to help you compare homes for sale.

Keeping Records

It's helpful to keep records of all the houses you see. This will allow you to compare features and prices of the various houses you have seen.

Include the observations about the interior and exterior of each house. Make sure that you are judging the house itself and not the furnishings. Taking pictures may also be helpful for at-home comparisons.

What to Look For

Look at every house critically. Be sure to rate houses based on your own needs. Don't be afraid to ask questions of the real estate agent and the owners, and expect satisfactory, straight-forward answers.

Outside Physical Details:

Start with the outside:

- Size and age of the house
- Structural condition and outside maintenance
- Size of the lot
- Outside landscaping

Interior Physical Details

- How many rooms and baths are on each floor?
- Is there adequate storage space?
- Is the basement finished?
- What built-in appliances are there?
- Is the kitchen functional?
- Is there central or room air-conditioning?
- Does the basement flood or the roof leak?

Construction Details

Whether the house is new or old, both the quality of the building materials and the craftsmanship, as well as the condition, are important considerations. Is the house well insulated? Are all of the windows in the home energy efficient? Is the roof in good condition? Does the house appear to have been well maintained?

Major Systems

Find out what type of fuel is used in the house. Check to see if the plumbing, heating/cooling and electrical systems in working order, or if they need to be replaced.

Financing

The MLS listing printout provided by the real estate agent will include:

- The asking price
- The mortgage balance
- The seller's monthly payments
- Whether the mortgage is assumable
- If relevant, how large a second mortgage the seller is willing to take back

Narrowing the Field

You should spend a fair amount of time looking at houses in the area you've chosen. The more houses you look at, the more knowledgeable you will become about the market in your area.

Once you've found a house you like and it is in your price range, make sure you go back at least one more time.

Tour the neighborhood on different days to really get a feel for it. Don't be afraid to talk to people who live there and find out their feelings on the area.

Most Important Of All: Take your time. This is a very important decision you are making.

Negotiating the Purchase Price

In deciding how much you should offer when buying a home, there are a number of factors you should consider:

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Market Value of the Home for Sale

Based on sales of houses in the same area you're looking in, how does the asking price of the house you've chosen compare with others?

You can request this information through your real estate agent. They will prepare a comparative market analysis" (CMA) about the property. This report reviews prices between comparable homes currently for sale, under contract, or just sold.

Condition of the Home

When buying a home, make sure you are aware of any major problems in the house, before making an offer. The house should have been inspected, especially if it is not a new home. Make sure that if there are any major problems, you have a clear idea of the repair costs.

Circumstances Surrounding the Sale

Before making an offer, try to see if the owners are anxious to sell. You may be in a good negotiating position if the sellers already have a contract on another house, and are depending on the sale of their house. It would be to your advantage knowing how long the house has been on the market, and if the price has been already been reduced.

Financing Terms

When buying a home there are two sides to an offer: the price of the house and the financing terms. For some buyers, the terms of the contract may be more important than the price. If the seller is offering attractive financing terms, such as paying for the title search, the home inspection, and other closing costs, the buyer might be more inclined to agree to the asking price.

Submitting the Offer

To make an offer, submit a signed offer with a given price under specified terms to the real estate agent. If your price reflects any flaws you encountered during the inspection, be sure to explain this in detail to the realtor. Real estate agents are required by law to deliver your offer to the seller.

Earnest Money Deposit

Earnest money deposit is money put down to demonstrate your seriousness about buying a home. \

It must be substantial enough to demonstrate good faith and is usually between 1-5% of the purchase price (though the amount can vary with local customs and conditions).

If your offer is accepted, the earnest money becomes part of your down payment or closing costs.

If the offer is rejected, your money is returned to you.

If you back out of a deal, you may forfeit the entire amount of earnest money.

What the Offer Includes

The offer to purchase should include at least the following:

- A complete legal description of the property
- The amount of earnest money accompanying the offer
- The price you are offering the sellers
- The size of your down payment and how the remainder of the purchase will be financed (including the maximum interest rate you are willing to pay
- Any items of personal property that the seller has stated stays with the house or that you would like to be included
- A proposed closing date and occupancy date
- The length of time the offer is valid and the length of time for satisfaction of certain contingencies

Negotiating the Final Purchase Price

The seller may respond to your offer in one of three ways: by accepting it, by rejecting it, or by making a counteroffer. Always take your time in considering a counteroffer.

Negotiating the final purchase price is usually accomplished in much the same way. You may be expected to put a larger deposit down once the seller has signed your offer to buy. You need not tie up the entire amount of your down payment at this point.

Terms of the Contract

There are many different “contingencies” that may be included in the contract in addition to the basic terms of the sale. These conditions must be met for the contract to go into effect. The following are some common contingencies that can be added to a contract.

Financing Contingency

The contract should state the buying price, the amount of down payment, the total amount, and the financing terms you will accept—as well as how long you have to find the agreed-upon financing. This is why being pre approved for a mortgage is to your benefit. **Get pre approved for a mortgage now.**

It will also state the amount of deposit being held in escrow, and which closing costs are to be paid by the buyer and which are to be paid by the seller.

This contingency makes clear that if you don't get the money you need at the terms you have specified, the deal is off and your deposit will be refunded.

Inspection Contingencies

You may want to specify that certain inspections are completed before the sales contract takes effect.

Professional home inspections

Your contract should be contingent on a satisfactory report by a professional home inspector. If major problems with the structure or systems of the house are uncovered, you have the right not to go ahead with the purchase or to renegotiate the terms of the purchase.

Termites

It is standard practice to require the seller to pay for a termite inspection and to provide a written certification stating that the property is free of termite infestation and that any damage from past infestation has been repaired.

Environmental Hazards to Investigate

Radon

A lot of homebuyers want the house tested for radon. Radon is an odorless gas that can seep into the house and cause major health problems.

For more information about radon in your area, you can call your state or county public health department.

Lead-Based paint

If the house you are buying was built before 1950, it is almost certain that lead based paint was used. If the house was built between 1950 and 1978, there is a chance that lead based paint was used. This is an serious issue and should be investigated. Even low levels of exposure to lead can have very serious intelligence, health, and behavioral consequences. Young children, infants, and pregnant women are especially vulnerable.

If the house was built prior to 1978, before the sales contract can be finalized, the real estate agent must provide you with information discussing the hazards of lead and if there is any lead based paint in the home. You are also allowed ten days to have a certified inspector inspect the home for lead based paint hazards.

Asbestos

According to EPA, homes constructed during the past 20 years probably do not contain asbestos products. You may hire a qualified professional to inspect the home. A professional knows where to look for asbestos, how to take proper samples, and what corrective actions will be most effective.

Hazardous Waste Sites

Testing for hazardous waste involves skills and technology not available to the average homeowner or home remodeling contractor. The EPA has identified more than 30,000 potentially contaminated waste sites nationwide. Contact the nearest regional office of the EPA for information on the location and status of local hazardous waste sites.

Appraisal Contingency

When applying for a loan, the mortgage lender will require a professional appraisal of the market value of the property. The appraised value of the house determines how large a mortgage the lender will be willing to give you. If the appraised value is lower than the agreed-upon purchase price, this contingency gives you the right to withdraw your offer.

Repair Work

You may want to specify that the sellers are responsible for ensuring that the plumbing, heating, mechanical and electrical systems are in working order at closing.

Without this clause, you agree to accept the house “as is”. Provide for a walk-through inspection of the house on the day of closing or several days before to make sure if all conditions in the contract have been satisfied.

Personal Property

List in the contract everything that the owner is supposed to leave behind. Don’t rely on the seller’s verbal agreement that specific fixtures and appliances are included in the sale.

Closing and Occupancy Date

You may also want to include a clause that the sellers must pay you rent on a daily basis in the event they haven't moved out by the agreed-upon date.

The Home Inspection

Before you go ahead and buy a house, you should have a professional home inspector go through the property. If a home inspection clause was not added to the terms of sale, the buyer will pay for the inspection.

Finding A Qualified Inspector

It is best to get a referral from a satisfied customer. Or you can look in the yellow pages for qualified home inspectors. Make sure you check references from at least three different clients. The American Society of Home Inspectors can help you find a local member of their organization, contact 800-743-2744. The inspection will more than likely cost between $350 and $500, and will include a written report.

What the Inspection Includes

The home inspection is meant to evaluate the structural and mechanical condition (not the market value) of the property. The inspector's findings will be based on observable, unconcealed structural conditions.

It is recommended that you accompany the inspector on their inspection. You can expect the inspection to take about two hours. You will get a chance to ask questions, and learn more about the extent of possible problems. You will also be in a better position to understand the written report.

Every inspection should include an evaluation of the following:

- Foundations
- Doors and windows
- Roof and Siding
- Plumbing Systems
- Electrical Systems
- Heating and Air Conditioning Systems
- Ceilings
- Walls
- Floors
- Insulation

- Ventilation
- Septic Tanks
- Wells
- Sewer Lines
- Common Areas

Using the Inspection Report

The inspector's report will not include a recommendation as to whether or not you should buy the house, nor will it evaluate the purchase price. If major flaws are uncovered, the report should give you some idea of what it will cost to repair or replace the problem. A reputable home inspector will never offer to perform needed repairs and should not refer you to a contractor to perform such repairs.

- An inspection report may serve the following purposes:
- To identify problems before you purchase a home to prevent unpleasant surprises later
- To enable you to get out of a purchase agreement (and get your deposit refunded) if serious problems are identified
- To help you negotiate an adjustment in the purchase price if you want to buy the house in spite of the problems
- To get the seller to agree to pay for needed repairs, either before the sale or after the sale using escrowed funds
- To make you feel confident about going ahead with the purchase.

Shopping for a Mortgage Loan

Finding a mortgage loan that meets your needs is not easy, but it is an unavoidable part of the process of buying a home.

By now, you may have done some preliminary research into current mortgage rates and gone through the process of “pre-qualifying” for a mortgage loan before you started searching for homes for sale. **If you have not been pre qualified, do so now.**

If you also requested a credit report and resolved any problems in your credit record, or if you assembled documentation on your nontraditional credit history, you can now shop for a mortgage with confidence.

You want to choose the loan terms that are most favorable to your situation:

- If you expect to live in the house you are buying for a long time, the interest rate may be your primary consideration.
- If you’re only going to keep the house for two or three years, the closing costs and whether or not there is a prepayment penalty (a charge for repaying the loan early) may be more important to you.

You should have a clear idea of what kind of financing you need or want by the time you have a signed sales contract.

Now you need to shop around for the lender that offers the best terms for that type of loan. You may be surprised at the range of interest rates quoted and by the considerable variation in the closing cost by lenders for originating and processing a loan application.

Sources of mortgage loans

To find a lender to serve you, please e-mail:

LoanPro@cinci.rr.com

Comparing Loan Terms

Comparing loan terms among mortgage lenders can be a confusing process.

Refer to Worksheet G on page 88 to help you compare mortgage lenders.

To make sure you get all of the information you need to compare the various lenders' policies and terms. Make several copies of this worksheet and use it as a guide when you call loan officers to compare programs and terms.

Mortgage Terms Checklist

To help you better understand the various mortgage terms available; we will discuss each item on the checklist in turn.

Types of Mortgages Available

Begin by telling the loan officer what type of mortgage loan you are interested in—for example, a 95 percent 30-year fixed-rate mortgage or possibly an FHA loan with as little as 3.5% down.

If you're shopping for an ARM, you will want to ask about a one-year, three-year, or five-year ARM (the number of years indicates how often the interest rate is adjusted).

For some home buyers, an important decision is whether a fixed-rate or adjustable-rate mortgage is preferable.

Fixed-rate mortgages may be preferable to Arms because your monthly principal and interest payment is fixed for the life of the loan (though your tax and insurance payments may change over time).

However, ARMs usually offer a lower initial interest rate, which means lower initial monthly principal and interest payments, and the possibility of qualifying for a larger mortgage amount. If you're confident that your income will increase steadily over the years, you may have no worries about an ARM.

Interest rate

Mortgage lenders change their rates daily to reflect adjustments in the financial markets. In addition, the same mortgage lender will quote different mortgage rates and fees for each type of loan it offers.

The mortgage rate you get will determine not only how large a mortgage you qualify for, but also the size of your monthly payments.

In order to accurately compare the mortgage rates quoted by different lenders, you also need to know how many "points" and other loan fees the mortgage lender will charge.

Points

Mortgage lenders will sometimes charge a loan origination fee in the form of points. Each point is equal to one percent of the loan amount.

For example, one point on a $100,000 mortgage would be $1000. Points are usually paid as a one-time expense at closing.

Mortgage lenders charge points to increase the yield received on the loan. That is why you will see a lender offering mortgage rate and point combinations of, for example, 6 percent and two points or 6.25 percent and 0 points.

The more points you are willing and able to pay at closing, the lower your mortgage rate should be.

Annual Percentage Rate (APR)

To compare the various combinations of mortgage rates and number of points that lenders quote, ask for the APR of a particular mortgage. This is the actual mortgage rate taking into account the points and other costs of financing.

Loan Term

Most home loans are repaid over 15 to 30 years. With a shorter repayment term, you pay far less mortgage interest over the term of the loan, but your monthly payments will be higher.

First-time home buyers typically take the longest mortgage term offered in order to get the lowest possible monthly payments.

Private Mortgage Insurance (PMI)

When mortgage insurance is required, how much will it cost? Ask about the upfront cost (payable at closing) as well as the monthly premiums.

Also ask whether it may be possible, at some point in the future, to cancel the PMI coverage when the loan-to-value ratio (that is, the amount you owe on your mortgage divided by the market value of your property) drops to 80 percent or below.

There may also be other types of loan programs available such as an 80/15/5 or 80/20, which avoids PMI altogether.

Rate Lock-In

When a mortgage lender quotes you a mortgage rate, that is the rate in effect today, but it may not be the mortgage rate available to you when you actually close the loan.

A higher mortgage rate may reduce the size of the mortgage for which you qualify. It is important for you to know whether a mortgage lender will agree to hold the quoted mortgage rate for you. This is called a *rate lock*.

Some of the questions you should ask are:

- If the mortgage lender will lock in a mortgage rate, when will it do so—at the time of application or only upon approval?
- Will the mortgage lender lock in both the mortgage rate and points?
- Can you get a written rate lock agreement?
- How long does the rate lock remain in effect?
- Is there a charge for locking in a mortgage rate?

Prepayment

Mortgage lenders may charge borrowers a prepayment penalty if they pay the loan off early.

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

Escrow Requirement

Most mortgage lenders will include the cost of property taxes and insurance in your monthly payment.

Ask the lender how much will be escrowed each month and be sure to factor this additional cost into your monthly budget.

Processing Time

How long does it take a mortgage lender to process a loan application? Traditionally, loan approvals take 30 to 60 days or more. Due to in house processing and the fact that we service all of the loans in our portfolio, Guardian Savings Bank has the ability to close mortgage loans within ten business days.

Closing Costs

Many of the closing costs are fees imposed by the mortgage lender, which may vary considerably from one lender to the next. Ask about the following:

- The application fee
- Origination fee
- Credit report fee
- Appraisal fee
- Fee for the survey (is one required?)
- Fee for the lender's attorney
- Title search and title insurance fees
- Document preparation fee

To properly compare mortgage loans, it's important to request a formal Good Faith Estimate and Truth in Lending disclosure, before selecting a mortgage lender.

Payment Schedule

Normally, borrowers make one payment a month or twelve payments a year. With a biweekly payment plan, you make payments every other week, or 26 payments a year. If you get paid twice a month, rather than once a month, you may want to consider a payment schedule that matches your pay period. It will save you a large amount of interest over the life of the loan. Not all lenders offer a bi-monthly payment plan.

Adjustable-Rate Mortgage (ARM) Checklist

If you are looking to get into an ARM, you may want one that offers you the best protection in the event of skyrocketing mortgage rates.

The most important thing to find out is the maximum amount your payments might increase. Would you be able to make such payments?

Initial Mortgage Rate

Look out for "introductory discount" or "teaser rates", in which a mortgage lender offers very low initial rates.

They may appear to be a bargain, but remember that the low mortgage rates on an arm last only until the first adjustment.

After that you will be charged the "full rate", at which point your payments may become higher than your budget allows.

Adjustment Interval

You need to find out how often the mortgage rate will be adjusted—annually? Every three years? Every five years?

A mortgage loan with an adjustment period of one year is called a "one-year ARM," and the mortgage rate and monthly payment change once every year.

Rate Caps

These limit how much the mortgage rate on an ARM can increase or decrease.

Periodic mortgage rate caps limit the increase or decrease per adjustment period, whereas a lifetime mortgage rate cap limits the amount the rate can increase over the entire life of the loan.

For example, the mortgage lender may stipulate that the mortgage rate on an ARM can increase up to 2 percent a year but not more than 5 percent over the life of the loan.

A lifetime mortgage cap provides you with the most protection, but look for an ARM that offers both types of rate caps.

Payment Caps

A payment cap puts a limit on how much your monthly principal and interest payments can increase, regardless of how high the interest rate rises.

As a result, you may end up paying the lender less than the amount of interest you owe each month. The unpaid interest is added to your loan balance.

The result is that the amount you owe on your mortgage increases rather than decreases with each payment—a phenomenon called "negative amortization."

Applying For A Mortgage Loan

After you have contacted several mortgage lenders, you may see that one mortgage lender is quoting the lowest interest rates but another mortgage lender charges less in upfront costs payable at closing.

Perhaps yet another mortgage lender has the most favorable lock-in policy.

That's why you need to select the features that are most important to you.

When you have decided which mortgage lender offers the kind of mortgage you want with the best terms for your situation, you're ready to make an appointment with the mortgage lender.

Request that a loan application be faxed emailed or mailed to you and ask what documentation you should bring with you to the interview.

The Loan Interview

It is important to prepare for the loan interview. Try to anticipate everything you will need and have all of the necessary information (including names, addresses with zip codes, phone numbers, dates of employment, etc.) readily available.

Refer to Appendix A on page 89 for the Universal Residential Loan Applicaiton.

If you and your co-purchaser will both be signing the mortgage, you should both go to the loan interview.

Required Documentation:

Bringing the following documents with you to the loan interview will speed up the loan process:

- The purchase contract for the house
- Your last two bank account statements from checking and savings (all pages)
- Your last 30 days of pay check stubs
- Your last two years of W2 statements
- If you are self employed, your last two years of tax returns (all schedules)
- If you are self employed a year to date profit and loss statement
- Information in regards to monthly debts including credit card numbers, minimum payments and balances
- Evidence of your mortgage or rental payments via cancelled checks or money order receipts (12 months worth in most cases)

Qualification

If you have not already been pre-qualified by the mortgage lender, the loan officer will first want to make sure you qualify for the loan you are applying for. **Get pre qualified for a mortgage.**

Mortgage Lenders traditionally have required that your monthly mortgage payment (including taxes, insurance and condominium fee, if any) not exceed 28 percent of your gross monthly income, and that your monthly mortgage payment plus existing debt payments not exceed 36 percent of your gross monthly income. These guidelines may be exceeded in certain circumstances—for example, with excellent credit, substantial down payment, long job history or excessive reserves.

The Loan Application

If you have not already done so, the mortgage lender can help you fill out the loan application. This form is designed to provide all of the information the mortgage lender needs to evaluate the risk involved in lending you money.

Mortgage lenders speak of the "four Cs" of credit—capacity, credit history, capital, and collateral. Below, we will review each of these in detail.

Capacity

Can you repay the debt? Mortgage lenders ask for employment information: your occupation, how long you've worked, and how much you earn.

They also want to know your expenses: how many dependents you have, whether you pay alimony or child support, and the amount of your other expenses.

Credit History

Will you repay the debt? Mortgage lenders look at your credit history: how much you owe, how often you borrow, whether you pay bills on time, and whether you live within your means.

Capital

Do you have enough cash for the down payment and for closing costs? Do you need a gift from a relative?

Will you have a cushion left after your home purchase, or will you spend your last penny at closing?

Collateral

Is the mortgage lenders liability fully protected if you fail to repay the loan? Mortgage lenders must be sure the house you are buying is sufficient collateral to secure your loan.

Some Additional Considerations

You will not help yourself by trying to cover up past credit problems in hopes that the mortgage lender won't discover them.

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

You may be required to pay a nonrefundable application fee at this time, which typically covers the cost of the appraisal and credit report only.

Locking in the Current Mortgage Rate

If you feel that mortgage rates may rise during the time the loan is being processed, the mortgage lender may agree to lock in the current mortgage rate (and number of points) for a given period.

Find out when the lock-in takes effect and how long it remains in effect, and get the lock-in agreement in writing. A lock-in for a very short time period may be useless; you want something that will get you to closing without having to be extended.

Estimates of Closing Costs

Within three days after you have submitted your application for a home loan, the mortgage lender is required by law to provide you with an itemized estimate of the costs to close the loan.

This report is referred to as the "Good Faith Estimate".

The mortgage lender must also give you a copy of the government publication, A Home Buyer's Guide to Settlement Costs.

Speeding Up the Approval Process

Be sure to respond promptly to the mortgage lender's requests for information while your loan is being processed.

It's also a good idea to call the mortgage lender occasionally to check on the status of your application. You can then contact your employer or others who need to provide documents or other information for your loan.

The Mortgage Loan Process

In processing your loan application, the mortgage lender will be primarily interested in two things:

1. The property that you plan to buy (since it serves as collateral for the loan), and your financial situation in regards to your credit history (since they will determine your ability and your willingness to repay the loan).
2. The mortgage lender will request an appraisal of the property, request a credit report on you and any co-borrowers, and verify the information in your loan application.

Property Appraisal

The mortgage lender will arrange to have the property appraised, a service for which you will probably be charged. A professional appraiser will estimate the market value of the house.

This information is needed because the mortgage lender will loan you not more than a given percentage (often 95 percent) of the value of the property (the "loan-to-value ratio").

If the appraised value is less than the purchase price you have agreed upon, the amount of your mortgage may be smaller than you anticipated and you will have to come up with a larger down payment.

Credit Report

The mortgage lender also will order a credit report on you and your spouse or any other co-purchasers.

The credit bureau report will show how you have handled past debt and credit accounts, such as car loans, charge accounts with department stores, and any other purchases made on credit.

If you have recently obtained and reviewed a copy of your credit report, there should be no surprises during the loan application process.

Similarly, if you provided the mortgage lender with complete documentation of your nontraditional credit history (canceled checks or receipts documenting your rental or utility payments) and this documentation demonstrates good bill-paying habits, you should be in good shape.

It is not unusual for the mortgage lender to ask you for a written explanation of any negative items that appear on your credit report. Even one late payment on just one account may require a written explanation.

Verification

The mortgage lender also will verify the information provided on the loan application as to your income and employment history, your assets (checking and savings account, etc.) and your rent payment history.

Approval of the Mortgage Insurer

If mortgage insurance is a requirement of the loan, the loan will also have to meet the underwriting standards of the mortgage insurer.

If you are applying for an FHA or a VA loan, the underwriting guidelines must also meet those standards.

Commitment Letter

When your mortgage is approved, the mortgage lender will send you a commitment letter.

It will state the mortgage loan amount (the purchase price less the down payment), the term of the mortgage loan (the number of years you have to repay the loan), the loan origination fee (a percentage of the loan amount), the points, the APR (the actual finance charge taking into account the interest rate and origination fees), and the monthly principal, interest, taxes and insurance charges (PITI).

You will be given a set amount of time to accept the mortgage loan offer and to close.

Be certain that you understand and will be able to comply with any conditions set by the mortgage lender in the commitment letter before you sign it.

By signing the commitment letter, you are accepting the terms and conditions of the loan offer.

Improving Your Ability to Get a Future Mortgage

If your mortgage loan application is rejected, you will need to determine why, so that you can take the necessary steps to correct any problems or to improve your ability to get a mortgage in the future.

Understanding Why the Loan Was Denied

Mortgage lenders are required to explain in writing why they deny credit. Talk to the loan officer to find out the specific reason your request was rejected. You may be able to persuade your mortgage lender to reconsider your application.

If not, ask for suggestions as to how you can improve your ability to get a mortgage. At any rate, you should not necessarily assume that a rejection by one mortgage lender means your loan application would be rejected by other lenders.

Reasons For A Loan Denial When Buying A Home

Insufficient Funds

You might try to get the seller to agree to finance a second mortgage, thereby reducing the amount of down payment required. Would any of your family members be willing or able to provide a gift of funds to be used in paying closing costs?

Is there any local down payment or closing cost assistance programs available?

A Lease-Purchase Mortgage Loan (rent with option to buy) may help you to overcome the problem of insufficient savings for a down payment.

If all else fails, start a serious savings plan so that you will be in a better position to buy a house sometime in the future.

Insufficient Income

If the mortgage lender's qualifying formula shows that you can't afford the house you are planning to buy, are there perhaps some justifying circumstances that you might point out to the loan officer—for example, that the rent you are already paying is as great as the proposed monthly payment?

Or you may be due for a raise, which will make you eligible for the loan—will a letter to this effect from your employer help?

Too Much Debt

Perhaps your existing debt is what's creating the roadblock because it puts you outside the mortgage lender's qualifying guidelines.

Again, if you are very close to qualifying, you may be able to convince the mortgage lender to reconsider, especially if you have an excellent credit history.

Otherwise, you may need to pay off some of your debts before you can buy a house. It is important to consult with your mortgage loan officer for a long term game plan of which debt to pay off.

Poor Credit Rating

If you are refused credit on the basis of a credit bureau report, you are entitled to a free copy of the report from the credit-reporting agency. You can then challenge any errors and can also insist that the credit-reporting agency include your side of any unresolved credit disputes in its reports.

If your credit history is in fact unsatisfactory in some way, you should start repaying debts in order to get current. Once you have improved your credit profile, you may be in a position to begin house hunting again.

If you have applied for a mortgage loan using a nontraditional credit history that documents payments to landlords and utility companies, you may want to ask a more qualified loan officer to help you present the documentation in a more favorable light.

Low Appraisal

Perhaps your loan application was rejected because the appraisal of the property was too low compared with the agreed-upon purchase price. You may be able to use the low appraisal to help you renegotiate the purchase price to an amount the mortgage lender would agree to finance.

If the low appraisal reflects some structural problem or needed repairs, you may be able to get the owner to agree to fix the problem before the sale? It is possible that the mortgage lender will approve your loan request if the seller agrees to set aside funds in an escrow account to be used to make the needed repairs after the sale.

Seek Outside Help

Investigate any state or local programs designed to encourage homeownership, including government and nonprofit agencies. Is the house you want to buy in an urban renewal area? If so, there may be a government program that can help you finance your purchase.

If there is a housing counseling agency in your community, you may be able to get advice and possibly some help in putting together a long-term plan for homeownership.

Report Suspected Discrimination

The Equal Credit Opportunity Act and the Fair Housing Act prohibit discrimination against a loan applicant on the basis of race, religion, age, color, receipt of public assistance funds, sex, marital status or national origin.

If you suspect that the mortgage lender has denied your credit application unfairly, you should report your grievance to the lender's regulatory agency or to HUD, the agency in charge of enforcing the Fair Housing Act.

Preparing for Closing

The final days before closing can be a stressful period for both home buyer and seller. The buyer may have second thoughts at the prospect of taking on such a large debt. Or, they may worry that something will happen to prevent the sale—and indeed the house is not theirs until you close on it.

The signed sales contract and the signed loan commitment letter obligate both home buyer and seller to complete the transaction. If failed to do so, not only will the buyer forfeit their deposit, but they may also find themselves embroiled in a lawsuit.

Setting the Closing Date

The closing date is set after your mortgage loan has been approved and you accept the commitment letter. The Lender will coordinate this date with you, the seller, and your real estate agent. This needs to take place before the mortgage lender's commitment and the rate lock-in, if there is one, expires.

Selecting a Settlement Agent

Closings are conducted by lending institutions, title insurance companies, escrow companies, real estate brokers, or attorneys for the buyer or seller. Usually the real estate agents will select the settlement agent at the time of the initial offer. In other instances, the Mortgage Company or Lender may already have developed relationships that will more than likely save you time and money.

Meeting the Conditions of the Loan Offer

Be sure to understand the conditions of the loan offer that are stated in the mortgage lender's commitment letter. If the home you are buying has been found to be in violation of a building code or zoning regulation, the commitment letter may specify that those problems must be corrected before the closing. If the seller has agreed to make repairs required by the lender, you will want to make sure the work is finished (and done properly) before closing.

- Securing Title Services – Before the closing, a title search on the property is required.
- Title Search – Mortgage lenders require a title search to make sure the borrower receives a clean title. This means they want to be sure that the seller is indeed the owner of the property and that there are no liens filed against the property.

Title Insurance

As further insurance that the seller is giving the buyer a clean title, the lender most lenders will require that title insurance be purchased at the closing. There are two types of policies:

- A lender's policy, which protects the lender in the event a flaw in the title is detected after the property has been purchased
- An owner's policy, which protects the buyer. The buyer generally pays the cost of both. Obtaining a combined lender's/owner's policy will save some money.

We strongly recommended that you purchase an Owners Policy.

Termite Certificate

When buying a home, many locations require the house be inspected for termites before they can be sold. The seller usually covers the inspection. The buyer should receive a certificate stating that the property is free of termites and termite damage. All FHA and VA loans will require a satisfactory termite inspection.

Homeowner's Insurance

Mortgage lenders will require that you purchase homeowner's insurance, which protects you and the mortgage lender from loss in the event the house is damaged or destroyed. Most home buyers purchase a homeowner's package of insurance that includes:

- Personal liability insurance, which protects the buyer in the event they are sued by someone who is injured on their property.
- Coverage against fire, theft and certain weather-related hazards

Be sure to get quotes from several companies as to what types of coverage your homeowner's policy should include and how much coverage you need.

The mortgage lender will generally require only minimal coverage up to the "replacement value" of the house.

Note that by requesting a higher deductible amount you can significantly reduce your insurance costs. In this way, you pay for minor damage yourself but have protection against major losses.

Many mortgage lenders will require that the first year's premium be paid before closing. You may add the monthly insurance premium to your mortgage payment; the lender then holds the money in an escrow account and pays the insurance bill when it is due.

It you obtain the insurance on your own, you will need to bring the insurance policy and paid receipt with you to the closing.

Type of Ownership

The chief options are these:

- Sole ownership—you're the only owner.
- Tenancy by the entirety—available only to married couples, both owners have to agree before the house can be sold or even refinanced; when one spouse dies, the house automatically goes to the surviving spouse without going through "probate" (the legal process by which property is distributed after someone's death).
- Joint tenancy—during their lifetimes, any of the owners may sell their interest to whomever they choose; when one owner dies, the surviving owner automatically gets the deceased owner's share in the property.
- Tenancy in common—the property is owned jointly, but if one owner dies, the deceased owner's share goes to his or her heirs rather than the surviving owner.

Homeowner's Warranty

When buying a new home, you should receive a homeowner's warranty, which protects against certain defects in your home. Homeowner's warranties have become available for older homes, covering the repair of the major systems during the first year of ownership.

Final Walk-Through Inspection

When buying a home, a clause should be included in the contract allowing the buyer to examine the property within 24 hours prior to closing. This allows the buyer to make sure the seller has vacated the house, if move in was agreed to be at time of closing, and left the appliances or property which was agreed upon.

If the sales contract made the seller responsible for ensuring that the plumbing, heating, mechanical, and electrical systems are in working order at the time of the settlement, this is the buyers' last chance to make sure that everything works. During the walk-through, all remaining deficiencies should be noted.

If they cannot be corrected before settlement, funds may be withheld from the seller by the settlement attorney for payment of the agreed-upon repairs. If during the walk-through the buyer observes major problems or violations of the purchase contract, they have the right to hold up the settlement until they are corrected.

House Tour with the Seller

It is wise to make an appointment to tour the house, room by room with the seller—you can do this either before or shortly after the closing—and come prepared with questions and a notepad. You'll want to find out the location of the following:

- Main cutoff valves for water and gas
- Emergency switch for the furnace or burner
- Hot water heater thermostat
- Main electrical switch
- Fuse box or circuit breaker box

Does the seller know something of the history of the house? Are there old photographs that you might get copied? Are there wiring diagrams, or plans for renovation that were never carried out? What day is the garbage picked up?

Try to get the names and phone numbers of contractors and other professionals (electricians, plumbers, roofers, carpenters) who have worked on the house and find out what they did and when. Are there trees that require pruning or plants that require special care? Be sure to find out where the cutoff valve is for any outside faucets.

Final Estimate of Closing Costs

The mortgage lender is required to give the buyer an estimate of closing costs soon after the loan application has been filed.

Since these estimates are subject to change, the buyer has the right to inspect the settlement form one business day before settlement.

It is useful to do so because the buyer will probably be required to pay the remainder of the down payment (minus the amount of the deposit) and closing costs with a certified or cashier's check. A personal check will more than likely not be acceptable.

Your Closing Day!

Closing is a formal meeting typically attended by the buyer, the seller, the listing and selling agents, and representatives of the lender and the title company. (In some areas there is no formal closing in which the buyer and seller and the real estate sales professional sit down with the closing agent. Instead an escrow agent processes all the paperwork and collects and disburses the required funds.)

The buyer may consider hiring a real estate attorney. They will be asked to sign numerous documents and affidavits, and pay the closing costs. Once all this happens, the buyer then gets the keys to his new house.

Here is a more detailed look at closing day.

Explanation and Signing of Closing Documents

A large part of the process when buying a home is the explanation and signing of the documents. They are described below:

HUD-1 Settlement Statement

This form, required by federal law, itemizes the services provided and lists the charges to the buyer and the seller. It is filled out by the settlement agent who conducts the closing. Both the buyer and seller must sign it.

Truth-in-Lending Statement (TIL)

This is another document required by federal law that mortgage lenders are required to give to all loan applicants within three business days of receiving their initial application.

It discloses the APR, which reflects the cost of the buyer's mortgage as a yearly rate. This rate may be higher than the interest rate stated in your mortgage because the APR includes any points, fees, and other costs of credit.

The TIL statement also sets forth the other terms of the loan, including the finance charge, the amount financed, and the total payments required.

The Mortgage Note

The mortgage note represents a promise to pay the lender according to the agreed terms. The terms of the loan are set forth, including the date on which the payments must be made and the location to which they must be sent.

The note details the penalties that will be assessed if you default and warns you that the mortgage lender can "call" the loan (require full repayment before the end of the loan term) if you fail to make the required payments, if you sell the house without prior written consent of the lender, or if you otherwise violate the terms of your note or mortgage.

What is the Mortgage?

The mortgage (or "deed of trust" in some localities) is the legal document that secures the note and gives the mortgage lender a claim against your house if you default on the note's terms.

The mortgage restates the basic information contained in the note and the date of the final scheduled payment. It states the responsibilities of the borrower to pay PITI in a timely manner, to maintain homeowner's insurance on the property without lapse, and to maintain the property and not allow it to deteriorate.

The mortgage also states that if the borrower fails to comply with these requirements, the mortgage lender can demand full payment of the loan balance. If the borrower defaults, the mortgage lender can foreclose on the property, sell it, and use the proceeds to pay off the outstanding loan, the accrued interest, and the foreclosure costs. The borrower will receive anything left over after any liens (legal claims against a property) and second (or third) mortgages are repaid.

In some states, a "deed of trust" is used instead of a mortgage. Under a deed of trust, the buyer receives the title to the property, but then conveys the title to a third party called a trustee by signing the deed of trust. The buyer keeps the original recorded deed from the seller, and the trustee holds title until the entire loan balance is paid.

Affidavits

You may be asked to sign numerous affidavits (for example, that it is your intention to occupy the property). These may be required by state law, by the mortgage lender, or by the secondary market agencies. If you provide false information, you can face criminal penalties, and you can run the risk that the mortgage lender will call your loan.

The Deed

The seller must bring the deed to the closing, properly signed and notarized. It is the document that transfers ownership from the seller to you. You should have already decided what name or names are to appear on the deed.

Listed below, are some of the various cost that are typically paid by the buyer. But remember that the buyer can negotiate who pays the various costs. These costs are usually split between the seller and buyer.

Fees Paid to the Lender

Certain fees are paid to the mortgage lender at closing:

Loan Origination Fee

This fee covers the administrative costs of processing the loan. It may be expressed as a percentage of the loan (for example, 1 percent of the mortgage amount).

Loan Discount Points

These are the “points” charged by a lender to adjust the yield on the loan to market conditions. Each point equals 1 percent of the mortgage amount.

Appraisal Fee

This pays for the appraisal, which the lender uses to determine whether the value of the property is sufficient to secure the loan should you default on the loan. The appraisal fee is usually paid by you when you apply for the mortgage and may show on the settled sheet as “POC”, or “paid outside closing”.

Credit Report Fee

This covers the cost of the credit report, which the mortgage lender used to determine your creditworthiness. Like the appraisal fee, you probably paid this fee when you applied for the mortgage.

Assumption Fee

You pay this processing fee if you take over the payments on the seller’s existing loan.

Advance Payments or Pre Paid Items

The mortgage lender may require you to prepay some or all of the following items at the time of settlement.

Interest

You will need to pay the interest on the new mortgage from the date of settlement to the end of the month or to the beginning of the period covered by the first monthly payment.

For example, suppose you close on March 10. Your first monthly payment begins to accrue on April 1 and will be payable at the beginning of May. At closing, you will be required to prepay the interest for the period from March 10 through the end of March.

This means that if you close later in the month, your closing costs will be less than if you close earlier in the month.

Mortgage Insurance Premium

The mortgage lender may require you to pay your first year’s premium or a lump-sum premium at closing, or include the monthly fee as part of your payment.

Homeowner’s Insurance Premium

You will more than likely be required to pay the first year’s premium at or before your closing, and will more than likely be expected to bring proof that you already have paid for such a policy.

Escrow Accounts or Reserves

Reserves are required if the mortgage lender will be paying your property taxes, mortgage insurance, and homeowner’s insurance.

State and local law and mortgage lenders’ policies vary.

Title Charges

These primarily are charges payable to companies or persons other than the mortgage lender.

This includes the settlement (or closing) fee, title search/title insurance premium, document preparation fees, and attorney fees (for legal services provided to the lender).

Note that any of the fees you pay for your own real estate attorney are not part of the settlement procedures.

Recording and Transfer Fees

Most states impose a tax on the transfer of property and require payment of a fee for recording the purchase documents.

Additional Charges

Included here are the surveyor's fees, charges for termite and other pest infestation inspections, and any other inspections required by the lender.

Adjustments

Another part of the settlement costing-out involves looking at items paid by the seller in advance and items yet to be paid for which the seller is responsible.

The most common expense to be prorated between the buyer and seller is property taxes, which are split so that you take responsibility for them beginning at closing.

If the seller already has paid taxes beyond that date, you reimburse the seller; if taxes for the current period have not yet been paid, the amount owed is deducted from the buyer's settlement payment.

The HUD-1 Settlement Statement

In calculating the total amount that the borrower must pay, the HUD-1 Settlement Statement begins with the sales price and adds in the total closing costs for which you are responsible. Any prorated adjustments payable to you are then added in.

From this total is deducted your earnest money deposit and the principal amount of your mortgage. Then, any adjustments payable by the seller are deducted. The resulting figure is the amount you must pay at closing.

Recording the Documents

After all the papers have been signed, the fees have been paid; the mortgage deed (or deed of trust) must be officially recorded, usually at the registry of deeds or the town clerk's office.

This legal transfer of the property usually takes one to two days after closing.

Getting the Keys to Your New Home!

Real estate sales professionals say that the house keys and garage door openers are the two items that sellers most commonly forget to bring to the closing. You will want to make sure you get the keys for all of the doors (basement, garage, etc.).

We have outlined the basic process of closing when buying a home. This does not need to be a stressful experience if you know what to expect. Be prepared by doing a few basic things:

- Set a closing date
- Select a settlement agent
- Meet the conditions of the loan commitment
- Secure a title service
- Get a termite certificate
- Acquire homeowner's insurance
- Acquire a homeowner's warranty
- Make a final walk through

After you have completed this course, and you arrive at the actual closing, you will be prepared to go over the documents, sign them, make the closing payment, and most importantly, get the keys to your new home.

Now that you understand the entire home buying process, take the most important step by getting pre-qualified, and achieving the American dream of home ownership.

Questions and Answers Regarding Foreclosure

Question: What is foreclosure?

Answer: Foreclosure is a legal process in which the rights to a property are taken away from the owner and the property is then sold to satisfy unpaid mortgages and liens against the property.

Question: When do foreclosure proceedings start?

Answer: In most cases, foreclosure proceedings are started when payments become delinquent.

Question: How many payments can I miss before my lender puts my property in foreclosure?

Answer: It depends on what type of loan you have. Your mortgage contract should state how many payments you can miss before a Notice of Default is filed and sent to you.

Question: Who can foreclose on my property?

Answer: Mortgage holders and other lien holders who have a vested interest in loans on your property, which is used as collateral, can, foreclose on you.

Question: What about tax liens?

Answer: A tax sale can take place if you get behind on your property taxes. The tax sale can be initiated by federal, state or local taxing agencies.

Question: From the time I become delinquent on my first payment, how long does it take to complete the full foreclosure process?

Answer: Different types of loans have different time frames. The foreclosure process for FHA and VA loans usually take longer than that for Conventional loans.

Question: How will I know when the foreclosure process begins?

Answer: Once foreclosure proceedings are initiated, a Notice of Default will be recorded at the County Recorders Office in the county in which the property is located and you will be notified by regular mail and by certified mail.

Question: How much time do I have after a Notice of Default is filed?

Answer: Normally, it is ninety days plus twenty to twenty five days for publication. But it would be wise to read all correspondence carefully, and or contact an attorney, to make sure what your rights are and what the time frame is in your individual situation.

Question: Can I stop the foreclosure sale?

Answer: Yes. You can bring your mortgage payments current along with all late charges, foreclosure fees, taxes, and insurance premiums.

If you are unable to do so, you can contact your lender and try to negotiate a plan to modify your payments but don't wait until the last minute to do this.

Other options include refinancing, selling your home and or filing for bankruptcy.

Question: If I file bankruptcy, how will that help me?

Answer: Bankruptcy will stop the foreclosure proceedings and give you time to work out a plan through the courts.

Question: If I lose my property through foreclosure, can I get any money from the foreclosure sale?

Answer: Yes. But first, any remaining balance on the mortgage will be paid along with all outstanding property taxes and court fees.

Question: How much time is given to vacate the property once the foreclosure process is completed?

Answer: Remember, once the Trustee's sale is complete, the title to the property is given to the new owner and your rights to the property are gone and the new owner gets immediate possession.

Remember: Foreclosure is a serious matter and it is advisable to contact an attorney for legal advice.

Foreclosure and Your Credit

Foreclosure is a process in which a lending institution is given legal authority to recover what is owed on a property by selling it to satisfy unpaid mortgage payments and liens against the property.

Your credit rating suffers substantially when you have a property that the lender has to take back in a foreclosure action, although by the time the lender even begins the foreclosure process, your credit score will have already been drastically damaged due to delinquent payments.

A foreclosure is probably the most damaging of all credit missteps because of the dollar amounts involved. Although a vehicle repossession, bad credit card or revolving debt, and/or the failure to pay other bills all have negative effects on your credit history. The foreclosure on real estate has the most negative impact.

Most people who lose their homes and/or other property to foreclosure know and understand that their credit is taking a beating, and it's not uncommon to see individual credit scores drop dramatically within a three to four month period.

No one intentionally loses their home, but foreclosures happen more often than you might think, especially during times of economic recession. They happen due to any number of issues, such as the loss of a job, high adjustable interest rates, divorce, and the death of a spouse, workplace injuries, and other unforeseen circumstances.

Many people file bankruptcy to stop foreclosure proceedings and buy time to reorganize their finances. Although a bankruptcy will hurt a credit rating, too, it is easier to rebound from a bankruptcy than from a foreclosure.

But beware: filing for bankruptcy does not automatically mean that you will keep your home, and it does not protect your credit rating. You have to prove that you will be able to continue making your house payments, and the payments that you did not make, called arrears, will also need to be paid.

This is done by formulating a plan that has to be approved by the courts. If you don't follow the plan, your bank may go back to court and have your plan dismissed, thereby asking the courts to allow the bank the right to continue with the foreclosure process.

Once the bankruptcy has been granted, whether it is a chapter 13 or chapter 7, if you follow the plan to its completion, which can take up to seven years, you may actually be able to obtain more credit during the years that you are in the bankruptcy plan.

Although your credit rating is diminished, it can be repaired. Certain credit card companies may still offer you credit cards while you are in bankruptcy, providing you stay on the plan and make your payments as agreed. This will help your credit immensely and put you back on the road to reestablishing a good and positive credit rating.

In the world of finance and economics, your credit score is the most important asset you have. Once your credit is damaged due to a foreclosure, it will take many years to redeem it.

Let's Talk About Foreclosure Stress

The months leading up to the actual foreclosure date is traumatic in every sense of the word, and it can set off a series of actions that can drive you crazy if you let it, keep you awake for many sleepless nights, and cause physical pains like headaches, backaches, shoulder aches, nausea and even vomiting.

Mental and Physical Stress

Each new day causes a new sensation of desperation, a new bout of anxiety, and a new feeling of dread. It causes you to want to leave town, but you can't afford to do that. You stop talking to your family, friends, co-workers, and creditors. The process will make you want to stop going to work, to church, or out in public, but you can't let the process get the best of you.

You try not to worry, but you worry anyway. And you don't want anyone to tell you not to worry, because worrying, at this point, is the only thing that you can do about your situation. When people tell you not to worry, they are not trying to appease you, they are just trying to make you feel better and that is all they know to say. But honestly, you don't want to hear it because, unless they can help you catch up on your mortgage, you don't want them saying anything period.

So what do you do? If you've done everything that you can do to keep your home, and everything seems hopeless, all you can do is try to make the best of a bad situation. If you can't bring your mortgage current, if you've talked to your lender, if you've tried to work out a loan modification plan, filed for bankruptcy, and nothing worked, outside of winning the lottery, there may be nothing else that you can do.

Don't get so worked up over it that it makes you sick. Don't get angry at your wife, or your husband, or your children. They are under a lot of pressure, too. Talk to your doctor if you feel that you need help getting some rest, if you have anxiety and chest pains, or bad headaches.

Alcohol does not help at all, nor does taking illegal drugs, so don't do those things because they will only make matters worse. Don't blame others for your dilemma, and most of all, don't beat up on yourself. Remember this! You are not alone. Foreclosure happens to more people than you could ever imagine.

You may feel as though the world is crumbling beneath your feet, but trust that the world can carry your burden and there is actually a light at the end of the tunnel, although you can't see it yet. Once the foreclosure is behind you, you will be able to rest easier and start rebuilding your life.

You will see that all is not lost. Before you know it, you will be back on your feet, looking to the future with wide eyed excitement and getting inspiration from everything you see, because life has not deserted you. You will come out of this mess sporting a brand new beginning, a new outlook on life, and an awareness that you went through foreclosure and lived to talk about it, and now you know that you are strong enough to handle any adversity.

You will live through it, your family will live through it, and anyone who knew about it will soon forget it happened and then you will move on with your life. It will take a little time to get back on the right track because the entire foreclosure process is painful, but it won't kill you and you will live to buy and own another home again.

Foreclosure Terms and Definitions

Foreclosure: A legal process that involves extinguishing the rights of the owner in order to sell the property to satisfy a lien, which is usually a mortgage on the property that is in default.

Pre-Foreclosure: Someone buys the property directly from a property owner who has fallen behind on the mortgage but the property has not yet been seized by the bank.

Auction or Trustee Sale: After the property owner has defaulted on the mortgage, the property is sold by the lender to the highest bidder at a public sale.

Redemption Period: A period of time where the property owner can buy back their property after it's sold at auction. Not all states offer a redemption period.

REO (Real Estate Owned): If the property is not sold at auction, it becomes 'real estate owned' by the lender or bank. Real Estate Owned sales are usually handled by real estate brokers and or Realtors.

HUD Foreclosure: An auction of homes whose loans were guaranteed by the U.S. Department of Housing. There's an Offer Period, during which sealed bids are accepted from your agent. HUD will generally accept the highest bid, or the bid that brings them the highest net.

Notice Of Default: A written document that gives constructive notice of a property owner's failure to pay the mortgage.

Notice Of Rescission: A written document that cancels or annuls the effect of a notice of default when a default has been reinstated.

Loan Modification

A Loan Modification is a permanent change in one or more of the terms of a mortgagor's loan. A loan modification allows the loan to be reinstated, and results in a payment the mortgagor can afford.

If you are in default on your mortgage payments and are anticipating a possible foreclosure, there may be help for you. Congress has passed the Loan Modification Act of 2008 which gives relief to certain homeowners who find themselves unable to pay their mortgages

To qualify for a loan modification, or workout plan, your lender will require you to show enough income to qualify. If you qualify, your loan will be reevaluated and rewritten and then you must be able to prove that you can make your payments in the future. The plan is designed to make your mortgage more affordable and easier to repay.

The need for a loan modification program stems from the mortgage industries unregulated lending practices over the past few years which resulted in a devastating affect on the economy. The mortgage meltdown caused property values to drop substantially around the country and has left many homeowners facing bankruptcy and foreclosure.

The mortgage meltdown presented a negative impact on the whole economy, thereby forcing the government to come up with a plan to shore up the home loan and housing markets.

The Loan Modification Act was written to set standards for a qualified loan modification or workout plan on residential home loans. It takes into consideration those who might benefit from changes to their mortgage contract and it weeds out those who are not financially able to maintain a mortgage payment, even if it is rewritten under more favorable terms.

It is a set of permanent changes to a current mortgage that makes the repay contract more borrower friendly, thereby making the loan payments somewhat less by lowering the current interest rate, giving fixed rate terms, and reinstatement if the loan is in default. It helps the borrower by modifying one or more of the set terms that were present in the contract when the loan was first underwritten, approved, and funded.

The resulting changes are implemented to make the loan more affordable for the borrower by reducing the interest rate and/or rewriting the loan so it becomes fixed. If the borrower is in default, it allows the loan to be reinstated, making the arrearages a source for a new second trust deed that is amortized over a certain period of time in which the borrower pays the balance back in small monthly installments that are affordable.

The Loan Modification Act of 2008 grants a safety net for holders of mortgages who enter into loan modifications or workout agreements with troubled borrowers and clarifies the responsibilities of and provides protection from legal liability for mortgage institutions who help troubled borrowers remain in their homes.

There are a number of criteria that must be met before a qualified loan modification or workout plan is implemented.

The Loan Modification Act prohibits the causing of a negative amortization of the loan.

It prohibits the requiring of the borrower to pay additional points or fees.

It must improve the ability of the borrower to avoid foreclosure.

The agreement must also provide a regular scheduled payment that is reasonable for that borrower.

If you are under the threat of foreclosure or bankruptcy, you already know that this is a serious matter. Call your lender and ask to speak directly with the loan modification department because service representative who initially answer the phone may not have the right information for you.

There are also attorneys and other companies advertising their expertise in the field of loan modification. For a fee, they will represent you, but as always, make sure you check their credentials before enlisting their services.

Notice Of Default

Question: What is a Notice of Default?

Answer: A Notice of Default is a legal action giving Public Notice that loans or other liens on your property are delinquent and the lender or the lien holder intends to foreclose in a Trustee's Sale if the payments are not brought current.

Question: What is meant by Public Notice?

Answer: Public Notice means that information about your property is now made available to the general public.

Question: What information is made public?

Answer: The public becomes privy to data pertaining to your deed of trust, including the property address, the amount of arrears, the legal description of the property, dates of recordings, who is filing the notice, and other general information.

Question: Where is this information filed?

Answer: It is filed in the Office of The County Recorder in the County in which the property is located.

Question: When the Notice of Default is filed, does it mean that I have already lost my property to foreclosure?

Answer: No. The Notice of Default is filed by the lender or his representative and it initiates the beginning of the foreclosure process.

Question: Can I save my property from being taken through the foreclosure process?

Answer: Yes. You do have options but you must decide what you are going to do and act in a timely manner.

Question: What are my options?

Answer: You, more than anyone else, know your financial situation. Many people try to hang on to what they have, knowing that their financial burden is too great for them to handle.

Your best option is to bring your arrearages current immediately because the longer you wait, the more late fee’s ,charges, additional monthly payments, along with foreclosure fee's, will be added to the amount you will have to pay to get your loan reinstated.

If you can't pay the full amount, talk to your lender and try to negotiate a reduced payment plan. If you know you can't come up with the money to bring your payments current and make your monthly payments afterward, selling the property may be the best solution for you. It may be a good idea to talk to a Realtor about property values in your neighborhood just to get a professional opinion from an outsider.

Bankruptcy is another option. By filing bankruptcy, the foreclosure process is immediately stopped and a repayment plan can be worked out under court supervision.

If you decide to file bankruptcy, it is advisable to contact an attorney, especially now that bankruptcy laws seem to be changing all of the time.

Preventing Foreclosure

Proceedings and Understanding Your Options

Every year over millions homeowners are seeking help preventing foreclosure proceedings. This is a stunning 30 year high. In December of 2008, foreclosures were up over 75% from the previous year and on the brink of surpassing 2.2 million for the year. Many homeowners are not aware that they can prevent foreclosure and save their house. Did you know that you can stop the proceedings up to an hour before the auction takes place?

As a homeowner facing foreclosure there are various options available. We will briefly examine some of the most popular options.

Reinstate the Loan

Ideally you would like to be able to pay the loan payments that you are behind on and bring the loan current. These costs would include whatever is owed on the missed payments, and any additional late charges or attorney fees. This is the most efficient way of preventing foreclosure proceedings.

Get Forbearance

When a lender forecloses on a property it is expensive for them. They would rather work out some sort of arrangement than proceed with the foreclosure. Talk to your lender and see if they are willing to work out a plan that outlines a way to get current on your mortgage. This agreement will vary depending on the situation and the lender. Some things they may be able to help with are a temporary reduction or suspension of your payments. If you have an FHA, VA or other government loan, you may qualify for even more options.

File for Bankruptcy

Some attorneys may advise a homeowner to file for bankruptcy. This is a legal way to avoid the foreclosure process. However the process may still continue and you will be stuck with bad credit for seven to 10 years. You should consult your attorney about the option of bankruptcy.

Sell Your Home

The problem with selling the home at this point in the ballgame, is that if you list it with and agent, and it still is not sold prior to the foreclosure, you are still on the foreclosure clock. The best way to go about selling the home in this situation is to contact a real estate agent that is familiar with foreclosure investing. They may be able to put you in contact with investors that will be happy to buy your home or very possibly attempt a short sale. Preventing foreclosure proceedings can be as easy as getting in contact with a foreclosure or short sale investor.

Deed In Lieu of Foreclosure

This is when you would voluntarily give the house back to the lender. The lender is not obligated to accept it. You should discuss with the lender how they will report it back to the proper agencies. Should the lender choose to refuse the deed they are required to file a Notice of non-acceptance with the county recorder.

Just Ignore

We mention this because many homeowners will ignore the lender and do nothing. Don't fall into this trap. You have options when in foreclosure, you just need to talk to someone and find out what the best options for your situation are.

What Is A Short Sale?

A short sale is an action taken in agreement between a borrower (mortgagor) and a lender (mortgagee) that allows for the sale of a property with a loan balance that is more than what the property may be worth or can sale for. Short sales usually take place when a property is currently delinquent or in foreclosure and the borrower has no means of either paying the monthly note or cannot sell the property for enough to pay off the total loan balance.

In the event of a short sale, the lender has made the decision to work with the borrower by taking the position that it is financially more sensible to discount the balance of the loan, take the loss, rather than taking the property by means of foreclosure, which make take more time and create an even greater loss, especially if the borrower files for bankruptcy.

As far as the borrower is concerned, having the lender agree to a short sale saves him from having the property taken through the foreclosure process, especially when there is no other way to save the property. The short sale has the ability to keep the foreclosure off the borrower's credit history.

However, not all properties qualify for a short sale and not all lenders will agree to short sales. In some instances, a foreclosure might make more sense for the lender. In each short sale case, the lender can either approve or disapprove the sale.

Normally, the lender will make a decision whether or not to allow a short sale that is based on the economy. Whether the conditions of the real estate market are good or bad, and the financial status of the borrower.

Short sales transactions are processed through the loss mitigation department of the lender, which in most cases will not entertain a request for a short sale until after a Notice of Default has been recorded against the property. Second mortgages or other liens holders may also have to approve the short sale and some do not or will not, thereby preventing the short sale.

Prior to the Mortgage Forgiveness Debt Relief Act of 2007, when the lender decided to forgive all or a portion of a borrower's debt and accept less, the forgiven amount was considered as income for the borrower and was liable to be taxed. However, amendments have been made to remove such tax liability and allow the borrower and lender to work freely together to find a common solution that is beneficial to both parties. This protection is limited to primary residences so consultation with a tax advisor is necessary to ensure that a borrower qualifies.

The lender will require the borrower to submit what may seem like an endless list of documents and letters before approving a short sale, so the borrower should be aware and most importantly, be prepared.

- A hardship letter is required stating the reasons you got behind.
- A letter of authorization allowing the lender to solicit information about your financial well being.
- A net sheet that contains the expected sales price, loan balance, costs to sell, realtor commissions, and other costs. The net sheet is important because there may be costs that the lender will not allow, such as the total amount of the realtor's commission, termite work, or a home protection plan.
- Copies of bank statements with an accounting of deposits and withdrawals.
- Statement of Income and assets like other real estate, I.R.A. accounts, stocks and bonds, mutual funds, and other valuable possessions.
- Listing Agreement showing when and how long the property has been on the market.

- Purchase Agreement and any counter offers showing the actual amount that was offered by the prospective buyer.

The lender will also ask your realtor for a comparative market analysis to justify the price and terms that the Realtor decided to place the property on the market for.

Why Lending Institutions Foreclose On Real Estate

The reason banks, savings and loans, credit unions, mortgage companies, and other lending institutions foreclose on real estate is because they, like any other company, are in business to earn a profit, and the money they have decided to loan has to be protected and a guarantee has to be made by the borrower that it will be repaid.

The guarantee is in the form of a note and deed of trust that the borrower agrees to and signs, usually in escrow, before the loan funds and records. As a borrower, it is your responsibility to pay the loan back and when you don't, the bank has the rights to retrieve the property, possibly through foreclosure, to cover the amount that was loaned.

At the time of the loan funding, at the closing of escrow, the borrowers and the lender agree to written stipulations in the loan documents that the borrower is to make monthly payments, on time, when they are due.

It is not up to the lending institution or anyone else to make sure that the monthly, or other agreed upon payments, are met. Making the payments on time is totally the borrower's responsibility.

If payments are not made by the due date, which usually include a grace period, the lender will set in motion, a sequence of notices and warnings alerting the borrower of its intentions if payments are not forthcoming.

A late payment notice is sent to the borrower when the first payment goes past due.

If a second payment is missed, and the borrower still does not respond, the lender sends out another notice and at that time, may issue a notice of default.

Even if you contact the lender and make arrangement to make payments, you are still in default until the lender receives the payments.

The Notice of Default or the acceleration clause is stipulated in the contract.

At the time of the notice of default, the lender may demand full payment of the balance of the loan, plus any late payments and legal fees.

If a borrower does not make an effort to pay all the outstanding late payments and legal fees, the lender will send a certified letter to the borrowers address, or have it delivered by the local sheriff's department, giving the borrower notice of the intent to foreclosure.

The lender then publishes a legal notice in a local newspaper giving notice that an impending foreclosure is set to take place on the property. A court date is set in which all parties; the lender, borrower, and all other interested parties can attend.

Up to the point of the court date, the borrower has the right to reinstate the loan. The only other option for the borrower is to file a bankruptcy petition delaying the foreclosure so the borrower can work out a plan to get his or her finances in order.

Actually, banks are not in the business to foreclose, although they absolutely will as a last resort. Lending institutions will usually take every precautionary measure at their disposal to prevent a foreclosure from taking place on one of their properties.

Avoiding Foreclosure

Home owners who are facing foreclosure often dread dealing with the facts that got them into the position to begin with. If they think back to when they first bought that home, losing the home was probably the furthest thing from their mind. Few home owners actually plan to go into foreclosure.

Reasons for Pending Foreclosure

Apart from those who knowingly participate in mortgage fraud-- with the intention of never making a single payment -- most homeowners face sudden extenuating circumstances that force them to stop making timely mortgage payments. Here are a few of those reasons:

- Job loss / unexpected unemployment
- Sudden illness or medical emergency
- Death in the family
- Divorce / loss of second income
- Excessive debt obligations
- Job demotion or promotion denials
- Inability to pay an adjustable interest rate that increases
- Unexpected major home maintenance expense

Techniques to Avoid Foreclosure

The best way to avoid foreclosure is to prevent the filing of a Notice of Default. Lenders do not want to foreclose but will file a Notice of Default to protect their interests, if necessary. If you know you are unlikely to meet your mortgage obligation, the first thing you should do is call your lender.

Don't put it off, be embarrassed or ignore letters from your lender because those responses will make the situation worse, not better. Depending on your particular situation and hardship circumstances, here are some options your lender might propose to you:

Time to Make Up Your Payments

Lenders might agree to wait before taking legal action against you and let you work out a repayment plan that is affordable for you. This is called forbearance.

Forgiving a Payment

If you can agree on a way that you will be current after missing a payment or two (without the means to pay it back), the lender might give you a break and waive your obligation. This is called debt forgiveness, and it rarely happens.

Spread Out the Missed Payments over a Longer Term

For example, if your payment is, say, $1,000.00 a month, the lender might let you add $83.00 a month to each payment for a year until you are caught up. This is called a repayment plan.

Changing the Terms of Your Loan

if your mortgage is an adjustable loan, the lender might freeze the interest rate before it increases or change the interest rate to a more manageable rate for you. A lender might also extend the amortization period. This is called a note modification.

Add the Back Payments to Your Loan Balance

if you have sufficient equity and meet the lender's lending guidelines, the lender might increase your loan balance to include the back payments and re-amortize the loan. This is called a refinance.

Make a Separate Loan to You

some government loans contain provisions that let borrowers who meet specific criteria apply for another loan, which will pay back the missed payments. This is called a partial claim.

Techniques to Stop Foreclosure

Once the lender decides to file a Notice of Default, your options are limited. That is why it is better for you to call your lender before falling behind on your payments, because lenders are often reluctant to work out repayment schedules after foreclosure proceedings have been commenced.

You will be given a certain time period to bring the payments current, pay the costs of filing the foreclosure and stop the foreclosure. This is called reinstatement of your loan. If you cannot make up the missed payments and the lender will not work with you, here are a few other options to stop the foreclosure:

Sell Your Home

Interview Real Estate Agents to get an opinion of market value and average days on the on market to sell your home. You might be tempted to hire a discounted broker, but many sellers feel they need the exposure and marketing that full service broker's offer. Compare both to determine which best meets your needs and time frame.

Consider a Short Sale

If your home is worth less than the amount you owe, you might be a candidate for a short sale. A short sale may still affect your credit rating, but it's not as bad as a foreclosure. You or your agent will need to negotiate with your lender to find out if the lender will cooperate on a short sale.

Sign a Deed-in-Lieu of Foreclosure

Deed-in-Lieu of Foreclosure is deeding the home back to the lender. The homeowner will give the lender a properly prepared and notarized deed, and the lender forgives the mortgage, effectively canceling the foreclosure action

The lender might also work an arrangement where a home owner can remain in the home until finding a place to move into. Owners in default should negotiate the right to retain occupancy, arguing that if the lender followed through on the foreclosure, an owner would still enjoy the right of possession during that procedure.

Chalk One Up To Experience

When it comes down to it foreclosure is really about your ability to manage debt. There are many reasons that people face foreclosures that are not their fault. Job loss, the economy, unexpected illnesses and divorce are just a few examples but lack of income doesn't cause foreclosure, debt does.

One thing is for certain. Facing foreclosure is an experience that you will not soon forget. It is probably one of the most stressful situations that a family can endure. Changes of this magnitude teach us all that it is the people in your life that are important, not the material things.

Home Ownership After Foreclosure

Hopefully by this point, you are prepared to move to a new home and you most certainly should have a new prospective and attitude towards your monthly debts. Nearly everything that we use credit for can be obtained without it, but it will require sacrifice.

Managing debt properly requires doing without some of the things that you want until you can actually save enough money to pay for them. It may be a novel concept in today's world but historically is has been the method of choice. Why? Because the stress factor of saving for something is a small fraction of the stress factor of being obligated for a payment every month. After foreclosure, hopefully, you will have learned this lesson well.

Two of the greatest fears that anyone has when facing foreclosure is the fear of losing their current home and the fear of not having the ability to obtain a new one. The fear of losing a home is justified and is certainty real if you are not able to find a way to sell your home or resolve the debt before foreclosure.

Finding a home after foreclosure may not be as hard as you think. Qualifying for a mortgage with a lender immediately after going through foreclosure will be nearly impossible. You may even have a hard time renting a home if credit is an issue. Your next best alternative may be to look for an owner financed or lease option home.

Lease Option Homes

Lease Option homes are known by many names. Rent to Own, Lease Purchase and Owner Financing are just a few of the terms used to describe similar arrangements. The similarity in all of these cases is that the owner of the property is also the financing source. Qualifying with a property owner that has a vacant property for sale on today's market is usually much easier that qualifying with a traditional lender. In some areas of the country, there are even investors that will purchase a home in order for you to have the ability to Lease Purchase the property.

In the past, lease option homes would typically require a 3% to 5% Option Fee in order to move in. In today's market, many are taking advantage of the over supply of houses and moving in with very little money. This fee is negotiable. Keep in mind that it is not a rental deposit. In most cases it is only refundable if you exercise the purchase option. The Option Fee gives the tenant/buyer the option to purchase the home after a period of time for a given price. Making sure that you qualify for financing at that time is up to you. Make sure that your Option Period gives you ample time to re-establish your credit after foreclosure.

Lease Option homes can be a great deal for the buyer and the seller if the terms meet both of their needs. An appraisal and home inspections are suggested in this case just as in the purchase of any home.

Credit Repair after Foreclosure

Repairing your credit will take time. If you want to be as efficient as possible in this endeavor you may want to team up with a reputable and experienced credit repair firm. Don't be mislead buy those that claim they can repair all of your credit within a matter of weeks or even months. After foreclosure it will be a matter of a few years. The number of years will be determined by your future credit worthiness and the quality of your credit repair specialist.

Mortgage Terms and Definitions

Amortization Schedule – A table showing the amounts of principal and interest due at regular intervals and the unpaid mortgage balance after each payment is made.

APR (Annual Percentage Rate) – Disclosed as a requirement of federal truth in lending statutes, the yearly interest percentage of a loan, as expressed by the actual rate of interest paid.

Appraisal – an estimate of the value of property, made by a qualified professional called an "appraiser". Most states require licenses. Most lenders have their own lists of approved appraisers.

Arrears – The situation in which mortgage interest and real estate taxes are paid at or after the end of the period for which they were charged.

As Is Condition – With appraisals, when the value is determined by conditions existing at the time of the appraisal

Assessment - This is a local tax levied against a property for a specific purpose, such as a sewer or street lights.

Assignment – The transfer of ownership, rights, or interests in property as in a Mortgage, lease or deed of trust.

Assignment of Lease – This is a mortgage clause that passes control of leases on an income producing property to the lender.

Assignment of Mortgage – This is a document that evidences the transfer of a mortgage from one party to another.

Assumption Agreement – This is a written agreement by one party to pay an obligation originally incurred by another.

Authorization Form (Release Form) – a form giving Premier Mortgage permission to process a loan application, including, but not limited to credit reports, employment verification, mortgage verification, tax return verification and other creditor information.

Assumption Fee – The amount paid to the lender for paperwork and processing of records necessary to approve and document a new debtor.

Assumption Mortgage – This is a buyer's acceptance of primary liability for payment of an existing note secured by a mortgage of deed of trust. The seller remains secondarily liable, unless specifically released by the lender.

Attorney-In-Fact – This is a type of agency relationship where one person holds a power of attorney allowing him/her to execute legal documents on behalf of another. Decisions made by the attorney in fact are binding on the principal.

Balloon Mortgage – This is a mortgage with periodic installments of principal and interest that do not fully amortize the loan. The balance of the mortgagor is due in a lump sum at a specified date, usually the end of the term.

Basis Point – One one-hundredth of one percent. This is primarily used to describe changes in yield spread or price on debt instruments, including mortgages and mortgage-backed securities.

Breach of Contract – Failure to perform provisions of a contract.

Bill of Sale – A document signed by a seller that certifies a transfer of ownership of personal property.

Blanket Mortgage - A mortgage that covers more than one parcel of real estate owned by the mortgagor

Borrower – This is described as one who receives funds in the form of a loan with the obligation of repaying the loan in full with interest.

Buy-Down Mortgage – A mortgage with a below market interest rate made by a lender in return for an interest rate subsidy in the form of additional discount points paid by the builder , seller or buyer.

Blanket Mortgage – A mortgage that covers more than one parcel of real estate owned by the mortgagor.

Buy-down Mortgage – A mortgage with a below – market interest rate made by a lender in return for an interest rate subsidy in the form of additional discount points paid by the builder, seller, or buyer.

Capital Gains – Profit earned from sale of real estate.

CAPS (Interest) – Consumer safeguards on an adjustable rate mortgage which limits the amount the interest rate may change per year and/'or over the life of the loan.

CCCS – Consumer Credit Counseling Service – is one of several non-profit organizations that assist borrowers in negotiating a repayment agreement with their current creditors that is usually less principal and/or less interest that the original contract.

Cash out Refinancing – When the principal amount of a new mortgage involved in refinancing is greater than the principal amount outstanding of the existing mortgage being refinanced, and all or a portion of the equity is converted to cash.

Certificate of Occupancy – A certificate issued by a local government body stating that the building is in a condition to be occupied.

Chain of Title – The series of transaction from Grantor to Grantee as evidenced in the land records.

Chattel – Personal property.

Closed-end Mortgage – This is a mortgage under which the mortgagor is prohibited from borrowing additional funds under the same mortgage.

Closing Costs – Fees paid to affect the closing of a mortgage, such as origination fee, discount points, title insurance fees, survey fees and attorney's fees.

Cloud On Title – An evidence of encumbrances.

Co-Mortgagor – A second borrower who signs a mortgage loan with a mortgagor.

Compound Interest – Interest paid on accumulated interest as well as on the principal.

Condominium – A structure of two or more units, the interior space of which are individually owned; the balance of property (both land and building) is owned in common by the owners of the individual units. The balance is called "common grounds"

Conforming Mortgage – This is defined as a mortgage loan, which meets all requirements (size, type and age) to be eligible for purchase or securitization by federal agencies.

Construction Loan – Defined as a short term interim loan for financing the cost of construction. The lender advances funds to the builder at periodic intervals as work progresses.

Construction Contract – An agreement between a general contractor and an owner/developer stating the specific duties the general contractor will perform according to blueprints and specifications at a stipulated price and terms of payment.

Contract for Deed – In some states, this is also known as a Land Contract or Installment Contract. A method of financing where title remains in the sellers name until the buyer has paid in full purchase price. A Contract for Deed will normally trigger the Due on Sale Clause in a Deed of Trust or Mortgage but veterans administration regulations specifically allow Contract for Deed without revoking the Due on Sale Clause.

Contractor – A person or company who agrees to do work and/or furnish materials for a contracted price.

Conventional Financing – Mortgage financing which is not insured or guaranteed by a government agency such as HUD/FHA, VA, or the Farmers Home Association.

Convertible Mortgage – This is a type of adjustable rate mortgage that may be converted to a fixed rate mortgage at specified intervals during a predetermined time period.

Conveyance – The document, such as a deed, lease, mortgage, used to affect a transfer.

Cost Approach – A method used by an appraiser to estimate replacement cost of improvement less depreciation.

Cost-to-Cure – This refers to the expense to repair or otherwise to maintain the value of a property. Usually determined by an appraiser and given on an appraisal report.

Covenants, Conditions and Restrictions – The basic rules establishing the rights and obligations of owners of real property within a subdivision or other tract of land in relation to other owners within the same subdivision or tract and in relation to an association of owners organized for the purpose of operating and maintaining property commonly owned by the individual owners.

Debt-to-Income Ratio – The ratio, expressed as a percentage, which results when a borrower's monthly payment obligations on long term debt is divided by his or her gross monthly income. See housing expense to income ration.

Deed-in-Lieu – This is simply a deed given by a mortgagor to a mortgagee to satisfy a debt and avoid foreclosure.

Deed of Trust – A type of security instrument in which the borrower conveys title to real property to a third party (trustee) to be held in trust as security for the lender, with the condition that the trustee shall reconvene the title upon the payment of the debt, and, conversely, will sell the land and pay the debt in the event of a default by the borrower.

Deficiency – The difference between the balance outstanding on a loan and proceeds from the sale of the loan collateral.

Duplex – Any building containing exactly two dwelling units.

Dower – A spouse's interest in the property of a deceased spouse.

Earnest Money – This is a sum of money given to bind a sale of real estate, or assure payment or an advance of funds in the processing of a loan; a deposit.

Easements – A right to the limited use or enjoyment of land held by another. This could also be considered an interest in land to enable sewer or other utility lines to be laid, or to allow access to a property.

Effective Interest Rate – This is the actual rate of return to the investor, considering commitment fees, loan pints, or other fees.

Encroachment – The physical intrusion of a structure or improvement on the land of another, (i.e. fence or driveway over the property line).

Eminent Domain – The power of the sate to take private property for public use upon payment of just compensation.

Endorsement – A signature on a negotiable instrument by which title to property mentioned therein is assigned and transferred.

Equitable Mortgage – an instrument that, because of a technical defect, is no actually a mortgage, but because the intention of the parties is to create a mortgage, the instrument will be enforced by a court of equity

Equity – Net ownership, the difference between fair market value and current indebtedness, sometimes called owner's interest.

Escheat – Property that reverts to the state when an individual dies without heirs and without a will.

Escrow – An item of value, money or documents, deposited with a third party to be delivered upon the fulfillment of a condition. An example would be the deposit by a borrower to the lender of funds to pay taxes and insurance premiums when they become due.

Escrow Account – The segregated trust account in which escrow funds are held.

Escrow Analysis – The periodic examination of escrow accounts to determine if current monthly deposits will provide sufficient funds to pay taxes, insurance, and other bills when due.

Escrow Overage or Shortage – The difference, determined by escrow analysis, between escrow funds on deposit and escrow funds required to make a payment when it becomes due.

Escrow Payment – That portion of a mortgagor's monthly payments held by a lender or service provider to pay taxes, hazard insurance, mortgage insurance, lease payments, and other items as they become due.

Fee Simple – The greatest possible interest a person can have in real estate, including the right to dispose o the property or pass it on to one's heirs.

Fixed Rate Mortgage – A mortgage in which the interest rate and payments remain the same for the life of the loan.

Flood Certification – A document that verifies whether a property is within the potential flood area or flood area or flood plain as determined by FEMA

Foreclosure – This is the process by which a lender sells property securing a loan in order to repay the loan. Under a Deed of Trust, foreclosure is made public record after appropriate advertisement. A Mortgage may require the lender to obtain Court approval prior to sale.

Good Faith Estimate (GFE) – A document sent from the lender to a mortgage loan applicant that details the specifics of the proposed loans with respect to fees, points, and charges to the borrower. This form is required by federal law to be sent to the applicant within 3 days of application.

Ground Lease – The owner grants a long term lease of the land (usually 99 years) and allows the lessee to build and use the land as agreed. At the end of the term, the land and all improvements revert to the owner.

Home Equity Loan – Mortgage financing that consists of a revolving line of credit secured by the appraised market value of the home.

Homeowner's Associates Fees – Fees collected in a community by the owners of property inside the community for maintenance and upkeep of common areas.

Homeowner's Insurance – Insurance dwelling to cover for hazards often includes personal property

Homestead Deed – A declaration filed in the land records that an individual is asserting is homestead exemption. That exemption allows one to protect some assets (amount varies by state) against the claims of creditors.

Income Approach – A method used by appraisers to estimate the value of a property by calculating it's generated income.

Index - A published interest rate, such as the prime rate, libor, or T-Bill rate. Lenders use these various indexes to establish interest rates charged on mortgages or to compare investment returns. On ARMS, a predetermined margin is added to the index to compute the interest rate adjustment.

Insured Closing Protection Letter – An indemnity given to a lender from a title insurance company, agreeing to be responsible if the closing agent does not follow the lender's instructions or misappropriates the loan proceeds. Lenders usually require an insured closing protection letter be on file for each settlement closing.

Interest – Consideration in the form of money paid for the use of money, usually expressed as an annual percentage.

Interest Rate Swap – A transaction in which two parties trade individual financing advantages to produce more favorable borrowing terms from each party. Normally, one party will wish a fixed interest rate and the other a variable rate.

Investor's Interest – An investor's undivided interest in a pool of mortgages. The income from the underlying mortgages is used to pay an investment return to the investor on a monthly basis, in an amount equal to his share of the property.

Jumbo Loan – This is a loan that exceeds the statutory size limit eligible for purchase.

Lead – A potential borrower that is requesting information about specific loan programs.

Lease-Purchase Agreement – This is a lease under which the lessee has the right to purchase the property. The price and terms of the purchase must be set forth for the option to be valid. The option may run for the length of the lease or a portion thereof.

Legal Description – A property description that is recognized by law that is sufficient to locate and identify the property without oral testimony.

LIBOR Index – This is the London Inter-bank Offered Rate. This is the rate at which banks in the foreign market lend dollars to one another. This is a common interest rate index; one of the most valid barometers of the international cost of money.

Lien – A legal hold or claim of a creditor on the property of another as security for a debt.

Line of Credit – An agreement by a commercial ban or other financial institution to extend credit up to a certain amount for a certain time to specific borrower.

Liquidity – The ability to readily convert assets or investments to cash.

Loan Administration – This is a mortgage banking function which includes the receipt of payments, Customer Service, Escrow, Collections and foreclosures.

Loan-to-Value Ratio – This is simply the ratio of mortgage amount to appraised value or sales price of real property. Used by lenders to determine maximum loan amounts as set by law.

Loss Coverage – Mortgage reserves maintained by mortgage insurers sufficient to cover catastrophic losses.

Loss Draft – Insurance Payments in settlement of a claim for damage to mortgaged property. Drafts are generally made out to both the mortgagee and mortgagor.

Margin – The spread between the index and the mortgage interest rate.

Margin Call – A call by a clearing organization of an exchange for the deposit of additional funds or collateral to offset trading losses on an outstanding position that is subject to margin.

Metes and Bounds – A description of a parcel of land in a deed in which the boundaries are defined by directions and distances.

Mortgage – A pledge of property, especially real property, as security for a debt. This is used to describe both the mortgage proper and the separate promissory note evidencing the debt and providing the terms regarding the debts re-payment.

Mortgage Banker – An individual, firm or corporation that originates, sells, and or services loans secured by mortgages on real property.

Mortgage Note – This is a written promise to pay a sum of money at a stated interest rate during a specified term.

Mortgage Pool – A group of mortgage loans with similar characteristics that are combined to form mortgage backed securities.

Mortgage Portfolio – The aggregate mortgage loans held by an investor or serviced by a mortgage banker.

Mortgagee - The lender in a mortgage transaction.

Mortgagee Clause – A clause that may be attached to an insurance policy stipulating that the lender will receive a portion of insurance proceeds sufficient to satisfy the unpaid amount of a loan in the event of a loss.

Mortgagor – The borrower in a mortgage transaction who pledges property as a security for debt.

Negative Amortization – This is the unpaid interest which is added to the mortgage principal in a loan where the principal balance increases rather than decreases because the mortgage payments do not cover the full amount of interest due.

Non Conforming Mortgage – A mortgage loan in which the loan amount, the loan to value ratio, the term, or some other aspect of the loan exceeds permissible limits as specified in regulations.

Note – This is a general term for any kind of paper or document signed by a borrower that is an acknowledgement of the debt, and is, by inference, a promise to pay. When the note is secured by a mortgage, it is called a mortgage note and the mortgagee is named as the payee.

Notice of Default – Notice recorded after a default under a deed of trust or mortgage. Also, the notice sent to defaulting borrowers, required by insurers or guarantors.

Office of Thrift Supervision – This is the successor thrift regulator to the Federal Home Loan Bank Board and a division within the Treasury Department. The OTS is responsible for the examination of federally chartered and state chartered savings associations.

Open End Mortgage – A mortgage with a provision that the outstanding loan amount may be increased upon mutual of the lender and the borrower.

Option – This is a contract agreement granting a right to purchase, sell, or otherwise contract for the use of a property at a stated price during a stated period of time.

Origination – The process of creating both commercial and residential mortgages.

Origination Fee – This is a lender’s fee charged to a borrower to prepare documents, make credit checks, inspect and sometimes appraise property. This amount is usually stated as a percentage of the face value of the loan.

Originator – A person who solicits builders, brokers, consumers and others to obtain applications for mortgage loans. This position is often called a Loan Officer.

Piggybank Financing – A loan made jointly by two or more lenders on the same property under one mortgage or trust deed.

Pipeline – Loan applications in process that have not yet closed.

Planned Unit Development (PUD) – This is a comprehensive development plan for a large land area. A PUD usually includes residences, roads, schools, recreational facilities, commercial, office and industrial areas. Also, a subdivision having lots or areas owned in common and reserved for the use of some or all of the owned in common and reserved for the use of some or all of the owned in common and reserved for the use of some or all of the owners of the separately owned lots.

Plans and Specifications – Architectural and engineering drawings and specifications for construction of a building or project. They include a description of materials to be used and the manner in which they are to be applied.

Plat – A map representing a piece of land subdivided into lots with streets, boundaries, easements and dimensions shown thereon.

Plat Book – A book showing the lots and legal descriptions of the subdivisions of an area, usually recorded and kept in city and county government offices.

Power of Attorney – A legal document authorizing one person to act on behalf of another.

Prepaid Interest – Mortgage Interest that is paid in advance of when it is due to obtain tax advantages.

Prepayment – The payment of all or part of a mortgage debt before it is due.

Prepayment Penalty – A charge the mortgagor pays the mortgagee for the privilege to prepay the loan.

Prime Rate – The interest rate commercial banks charge their most creditworthy customers for short term loans.

Private Mortgage Insurance (PMI) – This insurance is written by a private company protecting the mortgage lender against financial loss associated with a borrower defaulting on a mortgage.

Promissory Note – A written promise to pay a specific amount at a specified time.

Proprietary Leases – Type of leases used in cooperative buildings that define the rights of a tenant or shareholder to occupy a particular dwelling unit.

Pro Rate – This is the allocation of proportionate shares of income, ownership, or an obligation, which a buyer and seller share at the time of closing.

Purchase Agreement – A written agreement between a buyer and seller of real property, setting forth the price and terms of sale.

Quality Control – Policies and procedures designed to maintain optimal levels of quality, accuracy and efficiency in the production, selling and servicing of mortgage loans.

Quitclaim Deed – A deed relinquishing all interest, title or claim an owner has in a property. A quitclaim deed implies no warranty.

Real Estate Owned (REO) – Property a lender acquires as the result of foreclosure.

Real Estate Settlement Procedures Act (RESPA) - A federal statute and regulation promulgated by HUD governing real estate lending practices and disclosures. Its main features pertain to the provision of the HUD settlement booklet within three days of making a loan application.

Realtor – A person licensed to sell and or lease real property, acting as an agent for others, and who is a member of a local real estate board affiliated with the National Association of Realtors.

Re-conveyance – An instrument used to transfer title from a trustee to the equitable owner of real estate, used when the performance f debt is satisfied under the terms of a deed of trust.

Recording – The filing of documents or details of a legal document to make them a matter of public record.

Refinancing – The repayment of a debt from the proceeds of a new loan using the same property as security.

Regulation Z – Regulation written by the Federal Reserve Board to implement the Truth-in-Lending Act, requiring full written disclosure of the credit portion of a purchase, including the annual percentage rate.

Release of Lien – This is an instrument discharging secured property from a lien.

Rescission – The cancellation of a transaction or contract by law or by mutual consent.

Resolution Trust Corporation (RTC) – A government agency responsible for managing and resolving the affairs of insolvent savings and loan associations placed into receivership by the FDIC.

Return of Equity (ROE) – The ratio of cash flow to the equity investment

Real Estate Mortgage Investment Conduit (REMIC) – A vehicle for issuing multi class mortgage backed securities, which allows the issuer to treat the security as a sale of assets for tax and accounting purposes.

Rollover – The renewal of a loan at maturity.

Rule of 78s – Method used by a lender (usually on installment loans) for calculating an interest rebate on a loan paid off or refinanced prior to its maturity date.

Satisfaction of Mortgage – The recorded instrument the lender provides to evidence payment in full of the mortgage debt.

Section – A division or parcel of land on a government survey comprising one square or 640 acres.

Securities and Exchange Commission (SEC) – A governing body that regulates the sale and registration of securities. The SEC protects investors and the general public against fraud and malpractice in financial markets.

Securitization – The process of pooling loans into mortgage backed securities for sale into the secondary mortgage market.

Secondary Mortgage Market – The market where lenders and investors buy and sell existing mortgages or mortgage backed securities, thereby providing greater availability of funds for additional mortgage lending.

Servicing Agreement – This is a written agreement between an investor and mortgage service provider stipulating the rights and obligations of each party.

Servicing Income – Fees which the mortgage service provider earns for performing Loan Administration functions.

Special Warranty Deed – A deed containing a covenant whereby the grantor agrees to protect the grantee against any claims arising during the grantor's period of ownership.

Spread – The difference between the rate at which one can be borrowed and the rate at which it can be loaned.

Structural Obsolescence – In a home, the design is such that accessibility is limited in a way that hinders the practical use of common area. An example would be a two story home with only one bathroom that is upstairs.

Subject to Mortgage – A mortgage clause in which title to mortgaged property is taken without assuming personal liability for the mortgage debt.

Sublease – A lease executed by a lessee to third person for a term no longer than the remaining portion of the original lease.

Subordination – The act of a party acknowledging, by written record that a debt is inferior to the interest of another in the same property.

Suburban – Ana area around a city, usually residential with small businesses.

Survey – A measurement of land, prepared by a registered land surveyor, showing the location of the land with reference to known points, its dimensions, and the location and dimensions of any improvements.

Swap – The exchange of one asset or liability for a similar asset or liability to lengthen or shorten maturities, raise or lower coupon rates, or exchange fixed and variable payment streams.

Tax Deed – A deed on property purchased at public sale for nonpayment of taxes.

Tax Lien – This is a claim against property for unpaid taxes.

Tax Sale – This is the sale of property by taking authority or an officer of the court acting on a judgment to satisfy the payment of delinquent taxes.

Tenants by the Entirety – A husband and wife own the property with the common law right of survivorship so, if one dies, the other automatically inherits. One may not sue the other to partition the property. A creditor of one may not claim the property or the proceeds of sale. Compare Tenants in Common, Joint Tenants.

Tenancy in Common – A form of undivided ownership interest by two or more persons that provides for no right of survivorship.

Term – The period of time between the commencement date and termination date of a note, mortgage, legal document, or other contract.

Term Mortgage – A mortgage in which, for a specified period of time, only interest is paid, after which the principal is due.

Title – Written evidence of the right to or ownership in property. In the case of real estate, the documentary evidence of ownership is the title deed that specifies in whom the legal estate is vested and the history of ownership and transfers.

Title Binder – Written evidence of temporary title insurance coverage that runs for a limited time and must be replaced by a permanent policy.

Title Insurance Policy – A contract by which the insurer agrees to pay the insured a specific amount for any loss caused by defects of title to real estate, wherein the insured has interest as purchaser, mortgagee, or otherwise.

Title Search – This is an examination of public records, laws and court decisions to ensure that no one except the seller has a valid claim to the property, and to disclose past and current facts regarding ownership of the subject property.

Trust – A fiduciary relationship whereby legal title to a property is transferred to a trustee with the intention that such property be administered by the trustee for the benefit of another, the beneficiary, who holds equitable title to such property.

Trust Deed – The instrument given by a borrower to a trustee vesting title to a property in the trustee to ensure the borrower's fulfillment of an obligation.

Trustee – One who holds legal title to a property for the benefit of another or to secure performance of an obligation.

Trustee in Bankruptcy – An agent of the court authorized to liquidate and protect the assets of the bankrupt, and bring them to court for final distribution for the benefit of the bankrupt and creditors.

Truth-In-Lending – A federal la requiring disclosure of the Annual Percentage rate to homebuyers shortly after they apply for the loan. This is also known as Regulation Z.

Uniform Commercial Code (UCC) – This is a comprehensive code of laws regulating important legal aspects of business and financial transactions.

Underpinning – Permanent load bearing supports added to and existing structure, usually a mobile home.

Usury – Charging more than the maximum legally permitted rate of interest.

Wraparound Mortgage – This is a refinancing technique involving the creation of a second mortgage, which includes the balance due on any existing, mortgages, plus the amount of the new secondary or junior lien.

Yield – The ratio of investment income to the total amount invested over a given period of time.

Zoning – The creation of districts by local governments in which specific types of property uses are authorized.

Worksheets

Worksheet A – Monthly Household Expenses

This sheet will help you calculate your monthly household expenses. Comparing your expenses to you gross monthly income will help you see how much you have left over for housing expenses.

Current Housing Expenses	
Rent	$
Utilities (if paid separate)	$
Current Non-housing Expenses	$
Food	$
Clothing	$
Day care / tuition	$
Car loan	$
Car insurance	$
Gas and oil	$
Car repairs	$
Other transportation	$
Health care	$
Debt payments	$
Entertainment	$
Taxes	$
Telephone	$
Insurance (other than car)	$
Other (specify)	$
Savings	$
Total Monthly Expenses and Savings	$

Worksheet B – Cash and Assets

This worksheet is for listing all of your sources of cash and assets you can use towards your down payment.

Checking account(s)	$
Saving account(s)	$
Mutual funds, stocks, and bonds	$
Cash value of life insurance policy	$
Cash gifts from parents or other relatives	$
Other assets	$
Total cash and assets	$

Worksheet C – Gross Monthly Income

Use this to list all your income sources as well as your co-borrowers.

Source	Average Monthly Amount
Gross pay (before – tax)	$
Overtime / part-time / seasonal / commissions	$
Bonuses / tips	$
Dividends / interest earnings	$
Business or investment earnings	$
Pension / Social Security benefits	$
Veterans Administration benefits	$
Unemployment compensation	$
Public assistance	$
Alimony, child support, or separate maintenance income	$
Other	$
Total Gross Monthly Income	$
Gross Monthly Income x 12 = **Gross Annual Income**	$

Worksheet D – Monthly Debt

Use this to list all your current debt.

Monthly Debt Worksheet		
	Borrower	**Co-Borrower**
Credit Cards (Minimum Monthly Payments)	$	$
Car Loans (Minimum Monthly Payments)	$	$
Student Loans	$	$
Installment Loans	$	$
Home Equity Loans	$	$
Alimony/Child Support	$	$
Other Monthly Debt	$	$
Monthly Subtotal	$	$
Monthly Total	$	

Worksheet E – Housing Needs

Complete this sheet to determine what your housing needs are.

ITEM	NEED	WANT	Address: ______________
Location			
Style			
# Levels			
# Bedrooms			
# Baths			
Living Room			
Dining Room			
Eat-in Kitchen			
Den/Office			
Basement			
Attached Storage			
Detached Storage			
Off-street Parking			
Garage			
Central Heating			
Central A/C			
Individual A/C			
Fireplace			
Dishwasher			
Other:______________________			

Worksheet F – House Comparisons

Use this sheet to compare houses you see.

	HOUSE #1	HOUSE #2	HOUSE #3
Address			
Price			
Realtor			
Lot Size			
School District			
Yearly Taxes			
INTERIOR			
# of Bedrooms			
# of Bathrooms			
Family Room			
Dining Room			
Closet Space			
Appliances			
Dishwasher			
Laundry Area			
Basement			
Fireplace			
Attic			
Other			
EXTERIOR			
Style of House			
Type of Siding			
Exterior Condition			
Garage Size			
Deck/Patio/Fence			
Landscaping			
Neighborhood			
Streetlights			

Worksheet G – Lender Comparisons

Use this sheet to compare mortgage lenders.

	Lender #1	Lender #2	Lender #3	Lender #4
Lender Name				
Phone				
Address				
Loan Officer				
Rate				
Fixed or Adjustable	Fixed ☐ ARM ☐	Fixed ☐ ARM ☐	Fixed ☐ ARM ☐	Fixed ☐ ARM ☐
ARM Maximum Rate				
# Years				
# Points				
Amount Borrowed				
Amount Down				
Payment (P + I)				
PMI	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐
Lock-In	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐	Yes ☐ No ☐
Lock-In End Date				

Appendices

Appendix A – The Uniform Residential Loan Application

What follows is the Uniform Residential Loan Application, a generic version of the application that you would receive from a lender when you are ready to apply for a mortgage. It contains spaces for all the information that any lender would require.

Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co-Borrower information must also be provided (and the appropriate box checked) when ☐ the income or assets of a person other than the Borrower (including the Borrower's spouse) will be used as a basis for loan qualification or ☐ the income or assets of the Borrower's spouse or other person who has community property or similar rights pursuant to applicable state law will not be used as a basis for loan qualification, but his or her liabilities must be considered because the spouse or other person who has community property or similar rights and the Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below):

Borrower   Co-Borrower

I. TYPE OF MORTGAGE AND TERMS OF LOAN

Mortgage Applied for:	☐ VA ☐ USDA/Rural Housing Service ☐ FHA ☐ Conventional ☐ Other (explain):	Agency Case Number	Lender Case Number

Amount $	Interest Rate %	No. of Months	**Amortization Type:** ☐ Fixed Rate ☐ Other (explain): ☐ GPM ☐ ARM (type):

II. PROPERTY INFORMATION AND PURPOSE OF LOAN

Subject Property Address (street, city, state & ZIP)	No. of Units
Legal Description of Subject Property (attach description if necessary)	Year Built
Purpose of Loan ☐ Purchase ☐ Refinance ☐ Construction ☐ Construction-Permanent ☐ Other (explain):	Property will be: ☐ Primary Residence ☐ Secondary Residence ☐ Investment

Complete this line if construction or construction-permanent loan.

Year Lot Acquired	Original Cost	Amount Existing Liens	(a) Present Value of Lot	(b) Cost of Improvements	Total (a + b)
	$	$	$	$	$

Complete this line if this is a refinance loan.

Year Acquired	Original Cost	Amount Existing Liens	Purpose of Refinance	Describe Improvements ☐ made ☐ to be made
	$	$		

Title will be held in what Name(s)	Manner in which Title will be held	Estate will be held in: ☐ Fee Simple ☐ Leasehold (show expiration date)

Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain)

Borrower	III. BORROWER INFORMATION		Co-Borrower
Borrower's Name (include Jr. or Sr. if applicable)		Co-Borrower's Name (include Jr. or Sr. if applicable)	

Social Security Number	Home Phone (incl. Area code)	DOB (mm/dd/yyyy)	Yrs. School	Social Security Number	Home Phone (incl. Area code)	DOB (mm/dd/yyyy)	Yrs. School

☐ Married ☐ Separated ☐ Unmarried (include single, divorced, widowed)	Dependents (not listed by Co-Borrower) no.	ages	☐ Married ☐ Separated ☐ Unmarried (include single, divorced, widowed)	Dependents (not listed by Borrower) no.	ages

Present Address ☐ Own ☐ Rent __No. Yrs. (street, city, state, ZIP)	Present Address ☐ Own ☐ Rent __No. Yrs. (street, city, state, ZIP)
Mailing Address, if different from Present Address	Mailing Address, if different from Present Address

If residing at present address for less than two years, complete the following:

Former Address ☐ Own ☐ Rent __No. Yrs. (street, city, state, ZIP)	Former Address ☐ Own ☐ Rent __No. Yrs. (street, city, state, ZIP)

Borrower	IV. EMPLOYMENT INFORMATION		Co-Borrower
Name & Address of Employer ☐ Self Employed	Yrs. on this job	Name & Address of Employer ☐ Self Employed	Yrs. on this job
	Yrs. employed in this line of work/profession		Yrs. employed in this line of work/profession
Position/Title/Type of Business	Business Phone (incl. area code)	Position/Title/Type of Business	Business Phone (incl. area code)

If employed in current position for less than two years or if currently employed in more than one position, complete the following:

Name & Address of Employer ☐ Self Employed	Dates (from - to)	Name & Address of Employer ☐ Self Employed	Dates (from - to)
	Monthly Income $		Monthly Income $
Position/Title/Type of Business	Business Phone (incl. area code)	Position/Title/Type of Business	Business Phone (incl. area code)
Name & Address of Employer ☐ Self Employed	Dates (from - to)	Name & Address of Employer ☐ Self Employed	Dates (from - to)
	Monthly Income $		Monthly Income $
Position/Title/Type of Business	Business Phone (incl. area code)	Position/Title/Type of Business	Business Phone (incl. area code)

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

Gross Monthly Income	Borrower	Co-Borrower	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income*	$	$	$	Rent	$	
Overtime				First Mortgage (P&I)		$
Bonuses				Other Financing (P&I)		
Commissions				Hazard Insurance		
Dividends/ Interest				Real Estate Taxes		
Net Rental Income				Mortgage Insurance		
Other (before completing, see the notice in "describe other income," below)				Homeowner Assn. Dues		
				Other:		
Total	$	$	$	**Total**	$	$

* Self Employed Borrower(s) may be required to provide additional documentation such as tax returns and financial statements.

Describe Other Income *Notice:* Alimony, child support, or separate maintenance income need not be revealed if the Borrower (B) or Co-Borrower (C) does not choose to have it considered for repaying this loan.

B/C		Monthly Amount
		$

VI. ASSETS AND LIABILITIES

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Co-Borrowers if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise, separate Statements and Schedules are required. If the Co-Borrower section was completed about a non-applicant spouse or other person, this Statement and supporting schedules must be completed about that spouse or other person also.

Completed ☐ Jointly ☐ Not Jointly

ASSETS Description	Cash or Market Value	Liabilities and Pledged Assets. List the creditor's name, address, and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities, which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.		
Cash deposit toward purchase held by:	$	LIABILITIES	Monthly Payment & Months Left to Pay	Unpaid Balance
List checking and savings accounts below		Name and address of Company	$ Payment/Months	$
Name and address of Bank, S&L, or Credit Union		Acct. no.		
Acct. no.	$	Name and address of Company	$ Payment/Months	$

VI. ASSETS AND LIABILITIES (cont'd)

Name and address of Bank, S&L, or Credit Union		Acct. no.		
Acct. no.	$	Name and address of Company	$ Payment/Months	$
Name and address of Bank, S&L, or Credit Union		Acct. no.		
Acct. no.	$	Name and address of Company	$ Payment/Months	$
Name and address of Bank, S&L, or Credit Union		Acct. no.		
Acct. no.	$	Name and address of Company	$ Payment/Months	$
Stocks & Bonds (Company name/number & description)	$			
		Acct. no.		
Life insurance net cash value Face amount: $	$	Name and address of Company	$ Payment/Months	$
Subtotal Liquid Assets	$	Acct. no.		
Real estate owned (enter market value from schedule of real estate owned)	$	Alimony/Child Support/Separate Maintenance Payments Owned to:	$	$
Vested interest in retirement fund	$			
Net worth of business(es) owned (attach financial statement)	$	Job-Related Expense (child care, union dues, etc.)	$	
Automobiles owned (make and year)	$			
Other Assets (itemize)	$			
		Total Monthly Payments	$	
Total Assets a.	$	**Net Worth** (a minus b) $	**Total Liabilities b.**	$

Schedule of Real Estate Owned (If additional properties are owned, use continuation sheet.)

Property Address (enter S if sold, PS if pending sale or R if rental being held for income)		Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Insurance, Maintenance, Taxes & Misc.	Net Rental Income
			$	$	$	$	$	$
	Totals		$	$	$	$	$	$

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

Alternate Name	Creditor Name	Account Number

VII. DETAILS OF TRANSACTION			VIII. DECLARATIONS				
a.	Purchase price	$	**If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.**	**Borrower**		**Co-Borrower**	
b.	Alterations, improvements, repairs			**Yes**	**No**	**Yes**	**No**
c.	Land (if acquired separately)		a. Are there any outstanding judgments against you?	☐	☐	☐	☐
d.	Refinance (incl. debts to be paid off)		b. Have you been declared bankrupt within the past 7 years?	☐	☐	☐	☐
e.	Estimated prepaid items		c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?	☐	☐	☐	☐
f.	Estimated closing costs		d. Are you a party to a lawsuit?	☐	☐	☐	☐
g.	PMI, MIP, Funding Fee		e. Have you directly or indirectly been obligated on any loan of which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment? (This would include such loans as home mortgage loans, SBA loans, home improvement loans, educational loans, manufactured (mobile) home loans, any mortgage, financial obligation, bond, or loan guarantee. If "Yes," provide details, including date, name, and address of Lender, FHA or VA case number, if any, and reasons for the action.)	☐	☐	☐	☐
h.	Discount (if Borrower will pay)		f. Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee? If "Yes," give details as described in the preceding question.	☐	☐	☐	☐
i.	**Total costs** (add items a through h)		g. Are you obligated to pay alimony, child support, or separate maintenance?	☐	☐	☐	☐
j.	Subordinate financing		h. Is any part of the down payment borrowed?	☐	☐	☐	☐

VII. DETAILS OF TRANSACTION (cont'd)		VIII. DECLARATIONS (cont'd)				
k. Borrower's closing costs paid by Seller		i. Are you a co-maker or endorser on a note?	☐	☐	☐	☐
l. Other Credits (explain)		---				
		j. Are you a U.S. citizen?	☐	☐	☐	☐
		k. Are you a permanent resident alien?	☐	☐	☐	☐
m. Loan amount (exclude PMI, MIP, Funding Fee financed)		l. **Do you intend to occupy the property as your primary residence?** If "Yes," complete question m below.	☐	☐	☐	☐
n. PMI, MIP, Funding Fee financed		m. Have you had an ownership interest in a property in the last three years?	☐	☐	☐	☐
o. Loan amount (add m & n)		(1) What type of property did you own–principal residence (PR), second home (SH), or investment property (IP)?	___	___	___	___
p. Cash from/to Borrower (subtract j, k, l & o from i)		(2) How did you hold title to the home– by yourself (S), jointly with your spouse or jointly with another person (O)?	___	___	___	___

ACKNOWLEDGMENT AND AGREEMENT

Each of the undersigned specifically represents to Lender and to Lender's actual or potential agents, brokers, processors, attorneys, insurers, servicers, successors and assigns and agrees and acknowledges that: (1) the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of this information contained in this application may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.; (2) the loan requested pursuant to this application (the "Loan") will be secured by a mortgage or deed of trust on the property described in this application; (3) the property will not be used for any illegal or prohibited purpose or use; (4) all statements made in this application are made for the purpose of obtaining a residential mortgage loan; (5) the property will be occupied as indicated in this application; (6) the Lender, its servicers, successors or assigns may retain the original and/or an electronic record of this application, whether or not the Loan is approved; (7) the Lender and its agents, brokers, insurers, servicers, successors, and assigns may continuously rely on the information contained in the application, and I am obligated to amend and/or supplement the information provided in this application if any of the material facts that I have represented should change prior to closing of the Loan; (8) in the event that my payments on the Loan become delinquent, the Lender, its servicers, successors or assigns may, in addition to any other rights and remedies that it may have relating to such delinquency, report my name and account information to one or more consumer reporting agencies; (9) ownership of the Loan and/or administration of the Loan account may be transferred with such notice as may be required by law; (10) neither Lender nor its agents, brokers, insurers, servicers, successors or assigns has made any representation or warranty, express or implied, to me regarding the property or the condition or value of the property; and (11) my transmission of this application as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or my facsimile transmission of this application containing a facsimile of my signature, shall be as effective, enforceable and valid as if a paper version of this application were delivered containing my original written signature.

Acknowledgement. Each of the undersigned hereby acknowledges that any owner of the Loan, its servicers, successors and assigns, may verify or reverify any information contained in this application or obtain any information or data relating to the Loan, for any legitimate business purpose through any source, including a source named in this application or a consumer reporting agency.

Borrower's Signature	Date	Co-Borrower's Signature	Date
X		X	

X. INFORMATION FOR GOVERNMENT MONITORING PURPOSES

The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may not discriminate either on the basis of this information, or on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation and surname if you have made this application in person. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)

BORROWER	CO-BORROWER
☐ I do not wish to furnish this information	☐ I do not wish to furnish this information
Ethnicity: ☐ Hispanic or Latino ☐ Not Hispanic or Latino	**Ethnicity:** ☐ Hispanic or Latino ☐ Not Hispanic or Latino
Race: ☐ American Indian or Alaska Native ☐ Asian ☐ Black or African American ☐ Native Hawaiian or Other Pacific Islander ☐ White	**Race:** ☐ American Indian or Alaska Native ☐ Asian ☐ Black or African American ☐ Native Hawaiian or Other Pacific Islander ☐ White
Sex: ☐ Female ☐ Male	**Sex:** ☐ Female ☐ Male

To be Completed by Interviewer This application was taken by: ☐ Face-to-face interview ☐ Mail ☐ Telephone ☐ Internet	Interviewer's Name (print or type)	Name and Address of Interviewer's Employer
	Interviewer's Signature	Date
	Interviewer's Phone Number (incl. area code)	

CONTINUATION SHEET/RESIDENTIAL LOAN APPLICATION

Use this continuation sheet if you need more space to complete the Residential Loan Application. Mark **B** for Borrower or **C** for Co-Borrower.	Borrower:	Agency Case Number:
	Co-Borrower:	Lender Case Number:

I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 18, United States Code, Section 1001, et seq.

Borrower's Signature X	Date	Co-Borrower's Signature X	Date

Appendix B – Sample Truth in Lending Disclosure Statement

The next page shows a sample Truth in Lending Disclosure Statement with callouts that explain what each part of the form states.

The Truth-in-Lending Act is aimed at promoting the informed use of consumer credit by requiring disclosures about terms and costs.

SAMPLE TRUTH-IN-LENDING DISCLOSURE STATEMENT

(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)

Applicants:
Property Address:
Application No:

Because you may be paying points and other fees, the APR disclosed is often higher than the interest rate on your loan. The APR can be compared to other loans to give you a fair method of comparing prices.

Prepared By:
Date Prepared:

The mortgage amount minus prepaid finance charges (loan origination fees, points, adjusted interest and initial mortgage insurance premium) and any required balance. It represents a net figure to allow you to accurately assess the amount of credit actually provided.

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS
The cost of your credit as a yearly rate	The dollar amount the credit will cost you	The amount of credit provided to you or on your behalf	The amount you will have paid after making all payments as scheduled
%	$	$	$

The estimated total amount you will have paid, including principal, interest, prepaid finance charges and mortgage insurance, if you make minimum payments for the entire loan term.

REQUIRED DEPOSIT: The annual percentage rate does not take into account your required deposit

PAYMENTS: Your payment schedule will be:

Number of Payments	Amount of Payments**	When Payments Are Due	Number of Payments	Amount of Payments**	When Payments Are Due	Number of Payments	Amount of Payments**	When Payments Are Due
		Monthly Beginning:			Monthly Beginning:			Monthly Beginning:

Principal, interest and mortgage insurance if applicable.

The estimated total amount of interest payments for the term of the loan, the amount of interest paid at closing, origination fee and any other charges paid to the lender.

Defines circumstances under which the remaining principal and interest amount of the loan is due and payable on demand.

DEMAND FEATURE: This obligation has a demand feature.

VARIABLE RATE FEATURE: This loan has a variable rate feature. A variable rate disclosure has been provided earlier.

CREDIT LIFE/CREDIT DISABILITY: Credit life insurance and credit disability insurance are not required to obtain credit, and will not be provided unless you sign and agree to pay the additional cost.

Type	Premium	Signature	
Credit Life		I want credit life insurance.	Signature:
Credit Disability		I want credit disability insurance.	Signature:
Credit Life and Disability		I want credit life and disability insurance.	Signature:

INSURANCE: The following insurance is required to obtain credit:
Credit life insurance Credit disability Property insurance Flood insurance
You may obtain the insurance from anyone you want that is acceptable to creditor
If you purchase property flood insurance from creditor you will pay $ for a one year term.

SECURITY: You are giving a security interest in:
The goods or property being purchased Real property you already own

FILING FEES: $

An estimate of the cost of recording the legal documents (mortgage or deed of trust) connected with the transaction, which will be charged at closing.

LATE CHARGE: If a payment is more than days late, you will be charged % of the payment

PREPAYMENT: If you pay off early, you
may will not have to pay a penalty.
may will not be entitled to a refund of part of the finance charge.

Defines whether a fee will be charged and if you would be eligible for a refund if you wish to repay part or all of the loan in advance of the regular schedule. If you are not entitled to a refund, you will be charged interest for the period of time you used the money loaned to you. Your prepaid finance charges and any interest already paid are generally not refundable. If you pay the loan off early, you should not have to pay the full amount of the finance charges shown on the disclosure.

ASSUMPTION: Someone buying your property
may may, subject to condition may not assume the remainder of your loan on the original terms.

Defines whether or not the loan can be passed on from a seller of a home to another buyer, where the buyer "assumes" all outstanding payments.

See your contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date and prepayment refunds and penalties.

** NOTE: The Payments shown above include reserve deposits for mortgage insurance (if applicable), but exclude property taxes and insurance.

THE UNDERSIGNED ACKNOWLEDGES RECEIVING A COMPLETED COPY OF THIS DISCLOURE.

(Applicant) (Date)

(Lender) (Date)

Lenders are required by law to provide the information on this statement in a timely manner. Your signature merely indicates that you received this information and does not obligate you or the lender in any way.

Appendix C – Sample Good Faith Estimate

The next page shows a sample Good Faith Estimate, which discloses estimated costs of obtaining a loan. It also has callouts that explain what each part of the form states.

The Real Estate Settlement Procedures Act (RESPA) is designed to inform consumers when shopping for a mortgage loan by disclosing the estimated costs associated with obtaining the loan.

SAMPLE GOOD FAITH ESTIMATE

Applicants: | Application No:
Property Address: | Date Prepared:
Prepared By: | Loan Program:

The information provided below reflects estimates of the charges that you are likely to incur at the settlement of your loan. The fees listed are estimates - actual charges may be more or less. Your transaction may not involve a fee for every item listed. The numbers listed beside the estimates generally correspond to the numbered lines contained in the HUD-1 settlement statement, which you will be receiving at settlement. The HUD-1 settlement statement will show you the actual cost for items paid at settlement.

Total Loan Amount $ | Interest Rate: % | Term: mths

800	ITEMS PAYABLE IN CONNECTION WITH LOAN:			PFC S F POC
801	Loan Origination Fee	$		
802	Loan Discount			
803	Appraisal Fee			
804	Credit Report			
805	Lender's Inspection Fee			
808	Mortgage Broker Fee			
809	Tax Related Service Fee			
810	Processing Fee			
811	Underwriting Fee			
812	Wire Transfer Fee			
1100	TITLE CHARGES:			PFC S F POC
1101	Closing or Escrow Fee:	$		
1105	Document Preparation Fee			
1106	Notary Fees			
1107	Attorney Fees			
1108	Title Insurance:			
1200	GOVERNMENT RECORDING & TRANSFER CHARGES:			PFC S F POC
1201	Recording Fees:	$		
1202	City/County Tax/Stamps:			
1203	State Tax/Stamps:			
1300	ADDITIONAL SETTLEMENT CHARGES:			PFC S F POC
1302	Pest Inspection	$		
	Estimated Closing Costs			
900	ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE:			PFC S F POC
901	Interest for days @ $ per day	$		
902	Mortgage Insurance Premium			
903	Hazard Insurance Premium			
904				
905	VA Funding Fee			
1000	RESERVES DEPOSITED WITH LENDER:			PFC S F POC
1001	Hazard Insurance Premium months @ $ per month	$		
1002	Mortgage Ins. Premium Reserves months @ $ per month			
1003	School Tax months @ $ per month			
1004	Taxes and Assessment Reserves months @ $ per month			
1005	Flood Insurance Reserves months @ $ per month			
	Estimated Prepaid Items/Reserves			
TOTAL ESTIMATED SETTLEMENT CHARGES				
		$		

PFC= Prepaid Finance Charge (fees that affect the APR)

S= Seller Paid

F= FHA Allowable Fees

POC= Paid Outside of Closing

Elements of your projected loan payments (interest, taxes and insurance) that must be prepaid to establish the escrow account and the loan schedule.

TOTAL ESTIMATED FUNDS NEEDED TO CLOSE:			TOTAL ESTIMATED MONTLY PAYMENT:	
Purchase Price/Payoff (+)		New First Mortgage (-)	Principal & Interest	
Loan Amount (-)		Sub Financing (-)	Other Financing (P & I)	
Est. Closing Costs (+)		New 2nd Mtg Closing Costs (+)	Hazard Insurance	
Est. Prepaid Items/Reserves (+)			Real Estate Taxes	
Amount Paid by Seller (-)			Mortgage Insurance	
			Homeowner Assn. Dues	
			Other	
Total Est. Funds needed to close			**Total Monthly Payment**	

These estimates are provided pursuant to the Real Estate Settlement Procedures Act of 1974, as amended (RESPA). Additional information can be found in the HUD Special Information Booklet, which is to be provided to you by your mortgage broker or lender, if your application is to purchase residential real estate property and the lender will take a first lien on the property. The undersigned acknowledges receipt of the booklet "Settlement Costs," and if applicable the Consumer Handbook on ARM Mortgages.

______________________________ ______________________________

Applicant Date Applicant Date

Appendix D – Sample Mortgage Note

Next is a sample mortgage note. This basically says you'll take care of the property, insure it, and keep up on all the monthly payments.

SAMPLE MORTGAGE NOTE

This Mortgage is made by [*list name of person(s) mortgaging the property*], an individual with an address of [*list address of mortgagor*], being married, ("Mortgagor"), to [*list name of person receiving the mortgage*], an individual with an address of [*list address of mortgagee*], ("Mortgagee").

Mortgagor is indebted to Mortgagee in the principal sum of $[*e.g. 150,000.00*], with interest at the rate of [*e.g. 9.00*] percent per year, payable as provided in a certain [*e.g. promissory note or bond*] dated [*date instrument was signed*]. The terms and conditions of such [*e.g. promissory note or bond*] are incorporated herein by reference.

Therefore, to secure the payment of the above indebtedness, Mortgagor hereby mortgages and conveys to Mortgagee all the following real estate:

[*list exact legal description of property*]

Subject to: [*list any encumbrances the mortgage will be "subject to," e.g. first mortgage, etc.*]

Subject to all valid easements, rights of way, covenants, conditions, reservations and restrictions of record, if any.

To have and to hold the same, together with all the buildings, improvements and appurtenances belonging thereto, if any, to the Mortgagee and Mortgagee's heirs, successors and assigns forever.

Mortgagor covenants with Mortgagee that:

1. Mortgagor will promptly pay the above indebtedness when due;

2. Mortgagor will promptly pay and discharge all real estate taxes, assessments and charges assessed upon the property when due, and in default thereof, Mortgagee may pay the same and such amounts will also be secured by this Mortgage;

3. Mortgagor will keep the buildings and improvements on the property, if any, insured against loss by fire and other casualty in the name of Mortgagee in such an amount and with such company as shall be acceptable to Mortgagee, and in default thereof, Mortgagee may effect such insurance and such amounts will also be secured by this Mortgage;

4. Mortgagor will neither make nor permit any waste upon the property and will maintain the property and any improvements in good repair;

5. Mortgagor will not remove or demolish any building or improvement on the property without the consent of Mortgagee;

6. If Mortgagor shall sell, convey or transfer, voluntarily or involuntarily, all or any interest in the above property, Mortgagee may, at its option, declare the entire indebtedness secured hereby to be immediately due and payable;

7. Mortgagor hereby assigns to Mortgagee all rents and profits of the property, if any, as additional security for the above indebtedness;

8. Mortgagee shall be entitled to the appointment of a receiver in any action to foreclose this Mortgage; and

9. Mortgagor will warrant and defend the title to the property against the lawful claims and demands of all persons.

If any payment required under such [*e.g. promissory note or bond*] is not paid when due, or if default shall be made by Mortgagor in the performance of any agreement, term or condition of this Mortgage or such [*e.g. promissory note or bond*], Mortgagee may, at its option, declare the entire indebtedness secured hereby to be immediately due and payable and may enforce payment of such indebtedness by foreclosure of this Mortgage or otherwise, in the manner provided by law. Mortgagor shall pay all costs and expenses, including reasonable attorney's fees, incurred by Mortgagee by reason of Mortgagor's default.

Provided, however, that if Mortgagor shall pay the above indebtedness and faithfully perform all agreements, terms and conditions of this Mortgage and such [*e.g. promissory note or bond*], then this Mortgage shall be null and void.

The rights and remedies of Mortgagee herein are cumulative, not exclusive, and are in addition to all other rights and remedies available to Mortgagee at law or equity. Failure of Mortgagee to exercise any right or remedy at any time shall not be a waiver of the right to exercise any right or remedy on any future occasion.

If any provision of this Mortgage shall be invalid or unenforceable, the remaining provisions shall remain in full force and effect.

I, [*list name of mortgagor's spouse*], of [*list address of mortgagor's spouse*], spouse of [*list name of person(s) mortgaging the property*], in consideration of the above sum and other good and valuable consideration received, do hereby waive and release to Mortgagee all rights of dower, curtesy, homestead, community property, and all other right, title and interest, if any, in and to the above property.

This Mortgage is made upon the STATUTORY CONDITION, for any breach of which Mortgagee will have the STATUTORY POWER OF SALE, if existing under applicable law.

IN WITNESS WHEREOF, this Mortgage is executed under seal on

the ___________day of_________________, 19_____.

Signed, sealed and delivered

in the presence of:

_______________________________   _____________________________(Seal)

(Signature of witness)   [*list name of person(s) mortgaging the property*]

____

(Signature of witness)

____________________________(Seal)

[*list name of mortgagor's spouse*]

STATE OF _____________________

COUNTY OF ____________________

In _______________, on the _____________ day of ____________, 19___, before me, a Notary Public in and for the above state and county, personally appeared [*list name of person(s) mortgaging the property*], known to me or proved to be the person named in and who executed the foregoing instrument, and being first duly sworn, such person acknowledged that he or she executed said instrument for the purposes therein contained as his or her free and voluntary act and deed.

____

NOTARY PUBLIC

My Commission Expires: ________

(SEAL)

STATE OF _____________________

COUNTY OF ____________________

In _______________, on the _____________ day of ____________, 19___, before me, a Notary Public in and for the above state and county, personally appeared [*list name of mortgagor's spouse*], known to me or proved to be the person named in and who executed the foregoing instrument, and being first duly sworn, such person acknowledged that he or she executed said instrument for the purposes therein contained as his or her free and voluntary act and deed.

____

NOTARY PUBLIC

My Commission Expires: ________

(SEAL)

This Mortgage was prepared by:__________________________________

____

After recording, return to:_____________________________________

Appendix E – Sample HUD 1 Settlement Statement

The HUD 1 Settlement Statement lists all the settlement details of the house purchase: how much the sales price is, any reductions in amount to the seller, items payable in connection with the loan, and other essential information.

A. Settlement Statement

U.S. Department of Housing and Urban Development

OMB Approval No. 2502-0265

B. Type of Loan

1. ☐ FHA 2. ☐ FmHA 3. ☐ Conv. Unins. 4. ☐ VA 5. ☐ Conv. Ins.	6. File Number:	7. Loan Number:	8. Mortgage Insurance Case Number:

C. Note: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. Name & Address of Borrower:	E. Name & Address of Seller:	F. Name & Address of Lender:

G. Property Location:	H. Settlement Agent:	
	Place of Settlement:	I. Settlement Date:

J. Summary of Borrower's Transaction		**K. Summary of Seller's Transaction**	
100. Gross Amount Due From Borrower		**400. Gross Amount Due To Seller**	
101. Contract sales price		401. Contract sales price	
102. Personal property		402. Personal property	
103. Settlement charges to borrower (line 1400)		403.	
104.		404.	
105.		405.	
Adjustments for items paid by seller in advance		**Adjustments for items paid by seller in advance**	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109.		409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower		**420. Gross Amount Due To Seller**	
200. Amounts Paid By Or In Behalf Of Borrower		**500. Reductions In Amount Due To Seller**	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)		502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
Adjustments for items unpaid by seller		**Adjustments for items unpaid by seller**	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. Total Paid By/For Borrower		**520. Total Reduction Amount Due Seller**	
300. Cash At Settlement From/To Borrower		**600. Cash At Settlement To/From Seller**	
301. Gross Amount due from borrower (line 120)		601. Gross amount due to seller (line 420)	
302. Less amounts paid by/for borrower (line 220)	( )	602. Less reductions in amt. due seller (line 520)	( )
303. Cash ☐ From ☐ To Borrower		**603. Cash ☐ To ☐ From Seller**	

Section 5 of the Real Estate Settlement Procedures Act (RESPA) requires the following: • HUD must develop a Special Information Booklet to help persons borrowing money to finance the purchase of residential real estate to better understand the nature and costs of real estate settlement services; • Each lender must provide the booklet to all applicants from whom it receives or for whom it prepares a written application to borrow money to finance the purchase of residential real estate; • Lenders must prepare and distribute with the Booklet a Good Faith Estimate of the settlement costs that the borrower is likely to incur in connection with the settlement. These disclosures are manadatory.

Section 4(a) of RESPA mandates that HUD develop and prescribe this standard form to be used at the time of loan settlement to provide full disclosure of all charges imposed upon the borrower and seller. These are third party disclosures that are designed to provide the borrower with pertinent information during the settlement process in order to be a better shopper.

The Public Reporting Burden for this collection of information is estimated to average one hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

The information requested does not lend itself to confidentiality.

L. Settlement Charges

	Paid From Borrowers Funds at Settlement	Paid From Seller's Funds at Settlement
700. Total Sales/Broker's Commission based on price $ @ % =		
Division of Commission (line 700) as follows:		
701. $ to		
702. $ to		
703. Commission paid at Settlement		
704.		
800. Items Payable In Connection With Loan		
801. Loan Origination Fee %		
802. Loan Discount %		
803. Appraisal Fee to		
804. Credit Report to		
805. Lender's Inspection Fee		
806. Mortgage Insurance Application Fee to		
807. Assumption Fee		
808.		
809.		
810.		
811.		
900. Items Required By Lender To Be Paid In Advance		
901. Interest from to @$ /day		
902. Mortgage Insurance Premium for months to		
903. Hazard Insurance Premium for years to		
904. years to		
905.		
1000. Reserves Deposited With Lender		
1001. Hazard insurance months@$ per month		
1002. Mortgage insurance months@$ per month		
1003. City property taxes months@$ per month		
1004. County property taxes months@$ per month		
1005. Annual assessments months@$ per month		
1006. months@$ per month		
1007. months@$ per month		
1008. months@$ per month		
1100. Title Charges		
1101. Settlement or closing fee to		
1102. Abstract or title search to		
1103. Title examination to		
1104. Title insurance binder to		
1105. Document preparation to		
1106. Notary fees to		
1107. Attorney's fees to		
(includes above items numbers:)		
1108. Title insurance to		
(includes above items numbers:)		
1109. Lender's coverage $		
1110. Owner's coverage $		
1111.		
1112.		
1113.		
1200. Government Recording and Transfer Charges		
1201. Recording fees: Deed $; Mortgage $; Releases $		
1202. City/county tax/stamps: Deed $; Mortgage $		
1203. State tax/stamps: Deed $; Mortgage $		
1204.		
1205.		
1300. Additional Settlement Charges		
1301. Survey to		
1302. Pest inspection to		
1303.		
1304.		
1305.		
1400. Total Settlement Charges (enter on lines 103, Section J and 502, Section K)		