



Homebuyer's Information Package

A Guidebook for
Buying and
Owning a Home





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Foreword

People frequently play the desert island game. What ten books, or records, or historical characters would you take with you to a desert island? I am sufficiently practical to want to take a book on boat-building. And if there were houses to buy on the island, I'd want to take this guidebook too.

Every so often, a book comes along that is so absolutely useful that you wonder why it wasn't written years before. The *Home-buyer's Information Package* is one of those. It guides, informs, directs, helps the prospective homebuyer through the thicket of decisions one needs to make before, during, and after the home-buying adventure.

This is not to say that buying a home is a very difficult thing to do. It isn't. But because buying a home is the largest financial investment most people will ever make, it is best to be fully informed at every step of the way. The more we know, the more likely we are to make sound decisions, and the more likely we are to be well and happily housed in a home of our own.

I urge everyone thinking about buying a home – single people as well as men and women who head families – to use this book. Welcome to homeownership.

Patricia Roberts Harris

ARE YOU THINKING OF BUYING A HOME?

THIS GUIDEBOOK WILL HELP PREPARE YOU TO BUY AND OWN A HOME.

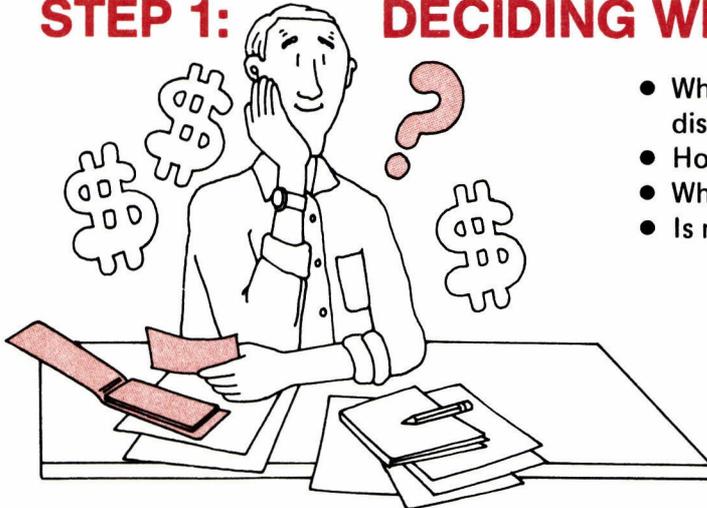
BEING PREPARED MEANS KNOWING . . .

- **What you can afford to pay**
- **What it will cost you**
- **How to get the most for your money**
- **Whether you should buy now**
- **What steps are involved**
- **What problems you may run into**
- **How to solve them**

BEING PREPARED IS THE KEY TO SUCCESS

SEVEN BASIC STEPS TO HOMEBUYING

STEP 1: DECIDING WHETHER TO BUY



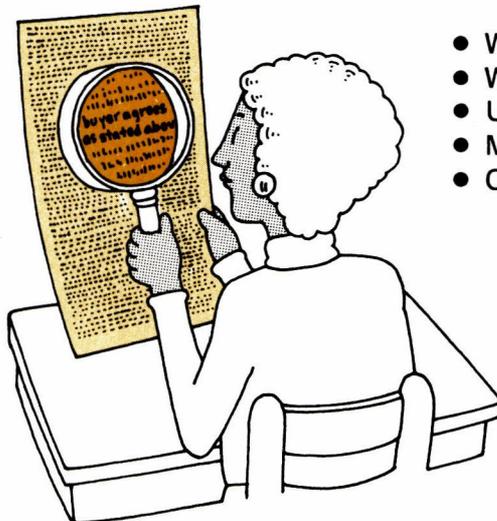
- What are the advantages and disadvantages of owning?
- How much can you afford to pay?
- What kind of house do you want?
- Is now the time to buy?

STEP 2: FINDING THE RIGHT PLACE

- Choosing the right neighborhood
- Looking for houses for sale
- Using a real estate broker
- Dealing with discrimination
- Choosing the right house
- Knowing what it will cost



STEP 3: SIGNING ON THE DOTTED LINE



- What is a purchase contract?
- What you should know *before* you sign
- Using the services of a real estate lawyer
- Making a deposit on the house
- Other agreements you should know about

STEP 4: PAYING FOR THE HOUSE

appraisal
mortgage
interest
points
insurance
principal
credit check
settlement costs
FHA application

- Do you have good credit?
- Getting a mortgage loan to buy the house
- FHA mortgage insurance
- Appraisals and inspections
- Insuring the home and its contents
- Costs of getting a mortgage
- Other ways of financing the purchase of the house

STEP 5: BECOMING THE OWNER

- How you become the owner at "closing"
- What to do *before* the closing
- What happens at closing
- Paying the closing costs



STEP 6: LIVING IN THE HOME



- Moving in
- Dealing with initial problems
- Making mortgage payments
- Managing your money
- Where to go for help

STEP 7: MAINTAINING THE HOME

- Taking care of your home
- Making repairs
- Saving energy
- Making home improvements
- Protecting yourself as a consumer



HOW TO USE THIS GUIDEBOOK

- The sections of this guidebook follow the major steps in buying and owning a home.
- Each section describes what you should know and what you may want to think about at that step.

WHERE ARE YOU IN THE PROCESS OF BUYING?

DECIDING WHETHER TO BUY

- **Section 1** can help you decide whether you are ready to become a homeowner

LOOKING FOR THE RIGHT HOUSE

- **Section 2** will help you choose a neighborhood and house that you want and can afford

YOU HAVE FOUND THE RIGHT HOUSE

- **Section 3** describes what you should know about the agreements you may have to sign
- **Section 4** will guide you through the steps in getting a mortgage loan
- **Section 5** describes how you become the owner of the home

YOU'RE THE OWNER . . . WHAT NOW?

- **Section 6** shows you ways to manage your money and deal with financial problems
- **Section 7** shows you how you can learn to maintain, repair and improve your home

DON'T GET LOST IN FANCY TERMS . . .

- The **Definitions Section** will help you understand what the terms mean and how they apply to you

To Buy or Not to Buy

The Search for a House

Purchase Contracts

Financing The House

The Closing Process

Money Management

Maintaining Your Home

Definitions

DETAILED INFORMATION

- *At the back of each section you will find an APPENDIX.*
- *The APPENDIX to each section gives you useful worksheets, sample documents and detailed information. These will help you with the choices you must make along the way.*

Appendix Section 1

- Worksheet for figuring out how much you can afford to pay for a house

Appendix Section 2

- Neighborhood inspection checklists
- Housing inspection checklists
- Worksheets for estimating housing costs
- Places where you can get help in selecting a house

Appendix Section 3

- Sample purchase agreements
- Other forms you may be asked to sign

Appendix Section 4

- Credit Bureaus and Credit Counseling Services
- Mortgage application forms
- FHA and VA forms
- List of inspections to be made
- Where to go for help in getting a mortgage

Appendix Section 5

- Checklist of things to do before the closing
- Samples of deeds and mortgage notes
- Sample Loan Disclosure Statement
- List of typical closing costs

Appendix Section 6

- Checklist for moving and sources of assistance
- Forms for keeping track of your income and expenses
- Where to go for help with money problems

Appendix Section 7

- List of home repair manuals
- Checklist and Record of home maintenance and repair
- Consumer protection agencies

1

TO BUY OR NOT TO BUY

- **WHY DO YOU WANT TO BUY A HOUSE?**
- **HOW MUCH CAN YOU AFFORD TO PAY?**
- **WHAT KIND OF HOUSE DO YOU WANT?**
- **IS NOW A GOOD TIME TO BUY?**

QUESTIONS YOU SHOULD ASK YOURSELF

1. **WHY DO YOU WANT TO BUY A HOUSE?**

- What are the advantages for you and your family?
- What are the disadvantages?

2. **HOW MUCH CAN YOU AFFORD TO PAY?**

- Will you have enough regular monthly income to make your mortgage payments, and pay real estate taxes, insurance premiums, utilities (heat, electricity, etc.) and maintenance and repair costs?
- How much money should you have for the down payment? Will you have enough for the "closing" costs and the costs of moving in?
- Will there be enough money left over for your other needs?

3. **WHAT KIND OF HOUSE DO YOU WANT?**

- How many rooms do you need? How big a yard? How big a kitchen? How much storage space?
- What kind of house and neighborhood will serve all the members of your household?

4. **IS NOW A GOOD TIME TO BUY?**

- Are there houses for sale in your price range?
- Can you get a mortgage?
- Do you have a steady job? Is your family life stable?
- Do you have a good credit history?

THIS SECTION WILL HELP YOU ANSWER THESE AND OTHER QUESTIONS

WHY YOU MAY WANT TO BUY A HOUSE

OWNING MAY BE BETTER THAN RENTING FOR . . .

MEETING YOUR HOUSING NEEDS

- You need more space now
- You want space to grow in the future
- Apartments may not be available in areas where you want to live

PRIDE AND INDEPENDENCE

- You can live the way you want
- You don't have to depend on the landlord or deal with other tenants
- You have a place of your own
- You have more privacy

A PLACE TO SETTLE DOWN

- You're part of your community (you pay the taxes)
- You want a place of your own to raise your family
- You don't have to worry about moving (if you make your mortgage payments on time)

A GOOD INVESTMENT

- Many homes increase in value
- Your home is worth more and more to you as you pay off your mortgage
- Owning a house is one way to beat inflation (house and land can increase in value faster than the cost of living)

TAX BENEFITS FOR OWNERS

- Mortgage interest and real estate taxes are deductible from your income for tax purposes so you may not have to pay so much in federal income taxes

GOOD FINANCIAL CREDIT

- Making your mortgage payments on time builds good credit
- With good credit it is easier to get a loan if you need one

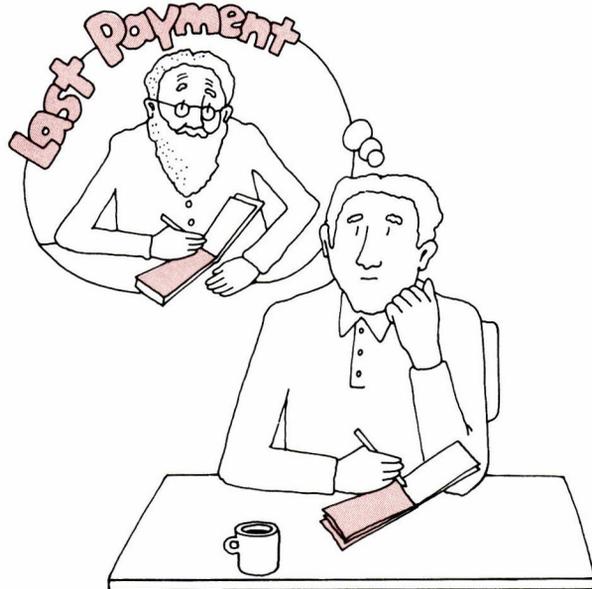


BUT . . .

OWNING A HOUSE CAN ALSO BE **WORSE** THAN RENTING BECAUSE OF . . .

THE FINANCIAL RISKS

- A house can *lose* value (especially if not kept up) and you may not be able to get your money back when it comes time to sell
- *Neighborhood quality can decrease* if other owners are not keeping up their houses or there's increasing crime, more noise and traffic, etc.
- The *costs of owning* may go up faster than your income
- *Family problems* (health, divorce, etc.) or loss of your job may keep you from paying your mortgage on time



THE LONG-TERM COMMITMENT

- Mortgage payments go on for 20 or 30 years
- Your ownership (equity) builds slowly — most payments to the lender go for interest during the first 10-15 years
- Your money is tied up for a long time (what you put into the house cannot be spent on other things)

THE DIFFICULTY OF MOVING

- When you own a home, you can't just pick up and move (houses can take time to sell)
- Your home may not suit the changing needs of your family

THE HASSLE OF HOME MAINTENANCE

- Keeping up a home can take a lot of *time and money*
- Repairs are often *expensive* and difficult to foresee
- Putting off maintenance and repairs *decreases the value* of your property



OTHER SACRIFICES

- Buying in the suburbs may mean a second car and higher commuting costs
- Putting a lot of your money into a house means you have less for other things
- Emergency repairs or property tax increases may force you to postpone other plans (vacation, new car, etc.)

**FOR THESE REASONS
THINK TWICE AND
BE CAREFUL IN
CHOOSING A HOUSE**

HOW MUCH CAN YOU AFFORD TO PAY?

BEFORE YOU GO LOOKING FOR A HOUSE, IT'S A GOOD IDEA TO FIGURE OUT ABOUT HOW MUCH YOU CAN AFFORD.

USE THE WORKSHEET IN APPENDIX 1

At the back of this section (Appendix 1), there is a WORKSHEET to help you estimate the price range of houses you can afford.

THE PRICE YOU CAN AFFORD DEPENDS ON:

- **YOUR PRESENT MONTHLY INCOME (TAKE-HOME PAY)**
(Include *only* the amount you can count on now and in the future.)
- **YOUR OTHER EXPENSES (NOT FOR HOUSING)**
(Food, clothing, education, installment payments, car payments, life insurance, medical bills, other taxes not deducted from your paycheck, recreation, gifts, savings, other regular expenses.)
- **THE CASH YOU HAVE AVAILABLE**
(For the down payment, for the closing costs, and for moving in.)

FIRST, LOOK AT WHAT YOU ARE NOW SPENDING ON RENT AND UTILITIES.

- To be on the safe side, you should figure that owning a house will probably be more expensive than renting (at least during the first few years).
- How much more are you willing to spend each month to own? \$25? \$50? \$100?

TO GET A BETTER IDEA OF WHAT YOU CAN SPEND EACH MONTH, ADD UP ALL YOUR REGULAR MONTHLY EXPENSES (NOT INCLUDING RENT AND UTILITIES) AND SUBTRACT THIS FROM YOUR TAKE-HOME PAY EACH MONTH (NET INCOME).

- The amount you have left is what you can reasonably budget toward owning a house.
- This figure will have to be used to pay:
 - YOUR MORTGAGE PAYMENTS
 - YOUR REAL ESTATE TAXES
 - YOUR HEAT AND UTILITIES
 - YOUR HOMEOWNER'S INSURANCE
 - YOUR EXPENSES FOR MAINTENANCE AND REPAIRS
 - ANY SPECIAL FEES

FIGURING OUT WHAT YOU CAN AFFORD

AN EXAMPLE

- You have \$1,000 take-home pay each month
- Your regular monthly expenses, including savings, total \$700 (*not* including rent and utilities).
- You can budget about \$300 to owning a house.

THE LARGEST PART OF THE MONEY YOU SPEND ON YOUR HOME EACH MONTH WILL PROBABLY GO FOR MORTGAGE PAYMENTS (that is, principal and interest payments to the lender to pay off the mortgage loan).

- This portion will differ according to your location, the kind of house you buy, and the amount of your down payment.
- As a rough guide, figure that *about 2/3* of your monthly housing costs will go for mortgage payments. (The rest will go for real estate taxes, insurance, heat and utilities, repairs, etc.)

EXAMPLE CONTINUED

- You have \$300 a month for your "housing budget."
- You might spend \$200 on your mortgage payments ($2/3$ of \$300 = \$200).

FIGURE OUT YOUR TOTAL MORTGAGE PAYMENTS FOR THE YEAR (MULTIPLY BY 12).

IF YOU THEN MULTIPLY THIS ANNUAL MORTGAGE PAYMENT FIGURE BY 10, YOU HAVE A ROUGH IDEA OF THE SIZE OF LOAN YOU MIGHT GET FOR A HOUSE.

EXAMPLE CONTINUED

- $12 \text{ months} \times \$200 = \$2,400$ mortgage payment per year.
- $\$2,400 \times 10 = \$24,000$.
- This is the size of the loan you can probably afford.

WHAT DO YOU HAVE IN CASH FOR THE DOWNPAYMENT?

ADD THIS FIGURE ONTO THE ROUGH LOAN AMOUNT AND YOU HAVE A "SAFE" ESTIMATE OF THE PRICE RANGE YOU CAN AFFORD.

EXAMPLE CONTINUED

- You figure you can support a mortgage loan in the \$24,000 range.
- You have \$3,000 cash saved up for a down payment.
- You can safely afford to pay \$27,000 for a house ($\$24,000 + \$3,000 = \$27,000$).

ABOUT THE DOWN PAYMENT

A LARGE DOWN PAYMENT HAS ADVANTAGES:

- The larger the down payment on the house, the less you have to borrow from a lender.
- The less you have to borrow to pay for the house, the smaller will be the monthly mortgage payments.
- The larger the down payment, the easier it is to get a mortgage loan on favorable terms.

FOR SOME PEOPLE, HOWEVER, A SMALLER DOWN PAYMENT IS BETTER:

- You may want to keep a cash reserve for unexpected expenses and for other purchases (or investments).
- A mortgage is the least expensive kind of loan you can get. Therefore, if you have limited cash for a down payment, you should take full advantage of the mortgage loan available.



IF YOU CAN'T OR DON'T WANT TO MAKE A LARGE DOWN PAYMENT, YOU MAY NEED TO GET MORTGAGE INSURANCE (SEE SECTION 4).

- If a mortgage is "insured" or "guaranteed," it means the lender is protected in case you can't pay back the loan. Therefore, the lender is willing to make a larger loan because his risk is limited.
- Mortgage insurance may be obtained from the Federal Housing Administration (FHA), from the Farmers Home Administration (FmHA), or from a private mortgage insurance company.
- If you are a veteran, you can get a mortgage guarantee from the Veterans Administration (VA). Such "GI loans" require very low down payments.
- Mortgage insurance costs about \$10-20 per month and is paid with your regular payment to the lender.
- With mortgage insurance you may need to pay only 3-10% down on the appraised value of the house. (The lender, the FHA or the VA will decide the appraised value.)

BUT REMEMBER, THERE ARE OTHER "ONE-TIME" COSTS YOU MAY HAVE TO PAY IN ADDITION TO THE DOWN PAYMENT:

OTHER "ONE-TIME" COSTS OF BUYING A HOME

In addition to your down payment on the house, there are two other kinds of expenses you will have. They are **CLOSING COSTS** and **MOVE-IN EXPENSES**.

CLOSING COSTS CAN RUN FROM 2% TO 10% OF THE MORTGAGE LOAN AMOUNT.

TYPICAL CLOSING COSTS INCLUDE:

- Payment to the lender for *processing your application*, getting credit checks, appraising the house, etc.
- Payment to the lender or a lawyer for *legal fees* (for searching the title, recording documents, etc.)
- *Prepayable expenses* (for example, three months real estate taxes in advance, hazard insurance premiums, mortgage insurance premiums, etc.)

SEE SECTION 5.
"CLOSING COSTS"
p.59

THE LENDER MUST LET YOU KNOW THE CLOSING COSTS.

- A recent federal law known as the *Real Estate Settlement Procedures Act* (RESPA) requires most lenders to give you an estimate of the closing costs you will have to pay.
- But this estimate does *not cover all the items* you may have to pay at the closing (for instance, prepayable expenses).

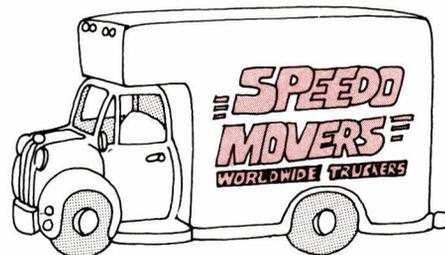
MAKE SURE YOU HAVE ADDITIONAL FUNDS AVAILABLE.

RESPA

DON'T FORGET YOUR MOVE-IN EXPENSES (SEE SECTION 4).

BE SURE TO HAVE ENOUGH MONEY FOR:

- Moving costs (paying a moving company, renting a van or truck, etc.).
- Utility deposits and hook-up charges (to turn on your gas or electricity, or hook up your phone).
- New furnishings or appliances you may need (for instance, curtains, refrigerator, carpets).
- Redecorating costs (paint, wallpaper, etc.).
- Other purchases (lawn equipment, tools, etc.).



BE SURE TO SET ASIDE SOME MONEY FOR THOSE "EXTRAS" YOU DIDN'T COUNT ON

WHAT YOU CAN AFFORD — ANOTHER LOOK

ONE RULE OF THUMB THAT LENDERS AND REAL ESTATE BROKERS OFTEN USE IS THAT THE AVERAGE BUYER CAN AFFORD TO PAY ABOUT TWO OR TWO-AND-ONE-HALF TIMES HIS YEARLY TAKE-HOME INCOME FOR A HOUSE.

2 TO 2½
TIMES
ANNUAL
TAKE-HOME
INCOME

AN EXAMPLE

- Your annual take home pay is \$12,000.
- You can afford a house in the \$24-30,000 price range (2 to 2½ x \$12,000 = \$24,000-30,000).

BE CAREFUL WHEN YOU USE THIS RULE OF THUMB. WHAT YOU CAN AFFORD WILL DEPEND ON . . .

- What your other expenses are (not for housing).
- The house you're thinking of buying (a "less expensive" older home may cost you more each month than a "more expensive" newer home because of higher heating and repair expenses).
- The size of your family.
- The size of your down payment. A larger down payment means lower monthly mortgage payments.

A USEFUL GUIDE WOULD BE . . .

USE "2 TIMES YEARLY INCOME" WHENEVER:

- You don't have much money for a down payment.
- You have heavy debts (e.g., car payments, college tuition, etc.).
- You plan to buy an older home that needs a lot of repairs.
- You have a large family.
- Property taxes in the neighborhood are high.
- Your income is irregular or your job picture is uncertain.
- Your job may force you to move unexpectedly.
- You have to drive a long way to get to work.

USE "2½ TIME YEARLY INCOME" IF:

- You plan to make a large down payment.
- You have few debts.
- You plan to buy a newer home that needs little upkeep.
- You have a small family.
- Property taxes in the neighborhood are low and will *remain* low.
- You are fairly sure that your income will increase in the future.
- You can do a lot of the maintenance and repairs yourself.
- You are willing to give up other things to pay for your home.

BEFORE YOU LOOK FOR A HOUSE, FIGURE OUT WHAT KIND OF HOUSE YOU WANT:

HOW MUCH ROOM DO YOU NEED?

- Number of bedrooms and bathrooms
- Size of kitchen (large or small)
- Size of living room
- Other rooms you need (dining room, laundry, den, workshop, etc.)
- Amount of storage space, closets, and so forth
- Play areas for children, yard space
- Garage or parking space



DO YOU WANT TO LIVE IN . . .

POSSIBLE ADVANTAGES

- convenience?
- lower priced houses?
- public transportation?

THE CITY?

OR

POSSIBLE DISADVANTAGES

- higher taxes?
- less yard space?
- more noise or litter?

- more yard space?
- less pollution?
- peace and quiet?

THE SUBURBS?

- commute to work?
- fewer public services?
- higher priced houses?

DO YOU WANT A NEW HOUSE? . . .

- more efficient use of space?
- easier to take care of?
- less space for the money?
- higher taxes?



. . . OR AN OLDER HOUSE?

- more space for the money?
- lower taxes?
- harder to take care of?
- more repairs?
- more expensive to heat or cool?



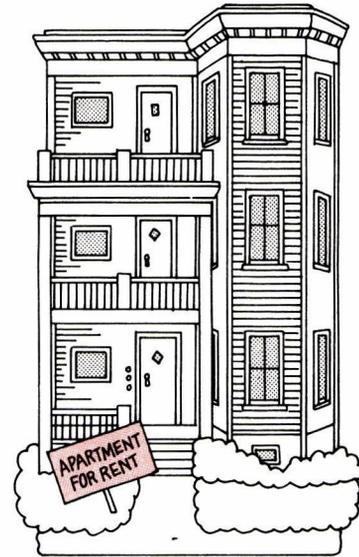
DO YOU WANT A SINGLE-FAMILY HOUSE? ...

- More privacy?
- Less upkeep?
- No tenant headaches?
- No rental income?



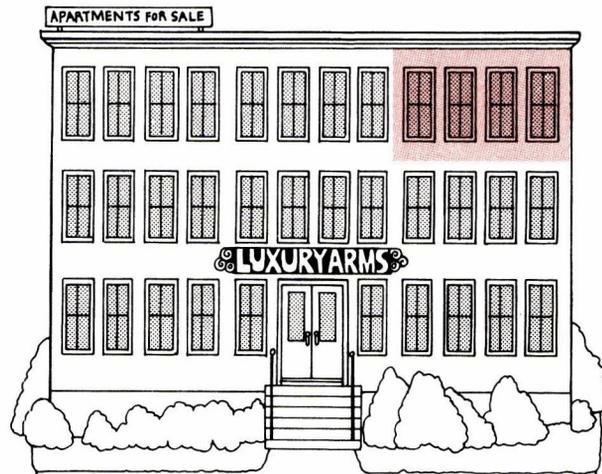
... OR ONE WITH RENTAL UNITS?

- Additional income; shared expenses?
- Greater responsibility and upkeep?
- Harder to find reliable tenants and deal with tenant problems?



... OR A CONDOMINIUM (you own one apartment in a building complex and share the common areas with other owners)

- Less maintenance to worry about?
- Convenience of location?
- Use of common facilities (pool, parking, etc.)?
- Better security?
- Less privacy?
- No private yard space?
- Maintenance fees?



IN EACH CASE, YOU MUST DECIDE WHETHER THE ADVANTAGES OUTWEIGH THE DISADVANTAGES ...

YOU (AND YOUR FAMILY) MUST BE THE JUDGE OF WHAT IS BEST FOR YOU.

IS NOW A GOOD TIME TO BUY?

1. DO YOU HAVE ENOUGH CASH?

- Money for the down payment?
- Money for the closing costs?
- Money for move-in costs?
- Money for emergencies?

FINANCIAL AND PERSONAL FACTORS TO CONSIDER

2. IS YOUR JOB AND FAMILY SITUATION STABLE?

- Steady source of income?
- Stable family situation (health, size of family, marital situation)?

CHANGES IN YOUR JOB OR FAMILY CAN MAKE IT HARDER FOR YOU TO PAY FOR THE HOUSE.

3. IS YOUR CREDIT GOOD?

- Good history of credit payments?
- Good credit references?
- Old debts cleared up now?

GOOD CREDIT MAKES IT EASIER TO GET THE MORTGAGE YOU WANT.



4. IS IT A BUYER'S OR A SELLER'S MARKET?

- Few buyers and lots of houses = "buyer's market" (YOU CAN BARGAIN FOR A GOOD BUY).
- Lots of buyers and few houses for sale = "seller's market" (YOU HAVE TO COMPETE WITH OTHER BUYERS MAY HAVE TO PAY MORE).

HOUSING MARKET FACTORS TO CONSIDER

5. IS FINANCING AVAILABLE?

- When lenders have money to loan, mortgage terms are more attractive.
- "Tight money" means it is harder to get a loan (YOU MAY PAY HIGHER INTEREST RATES OR LARGER DOWN PAYMENT).



6. ARE THERE SPECIAL OPPORTUNITIES?

- Lots of new houses for sale?
- Homesteading (Handyman Specials)?
- Homeowner subsidy programs?

APPENDIX 1

- **WORKSHEET FOR FIGURING OUT WHAT YOU CAN AFFORD TO PAY**
- **WORKSHEETS FOR FIGURING OUT YOUR ASSETS AND LIABILITIES**

BEFORE YOU START YOUR SEARCH FOR A HOUSE, YOU SHOULD HAVE A ROUGH IDEA HOW MUCH YOU CAN AFFORD TO PAY.

THIS WILL HELP YOU SAVE TIME AND EFFORT IN YOUR SEARCH BECAUSE YOU WON'T BE TEMPTED TO LOOK AT HOUSES YOU CAN'T AFFORD

IF YOU FOLLOW THE *SEVEN STEPS* IN THIS WORKSHEET, AND APPLY THE *RULES OF THUMB*, YOU WILL GET SOME IDEA OF THE PRICE RANGE YOU CAN AFFORD.

NOTE: YOU SHOULD NOT USE THE FIGURES IN THE EXAMPLE TO ESTIMATE WHAT YOU CAN AFFORD. THE FIGURES IN THE EXAMPLE ARE INTENDED ONLY TO ILLUSTRATE HOW TO USE THE FORM. YOUR OWN INCOME AND EXPENSES WILL PROBABLY DIFFER A GREAT DEAL FROM THOSE GIVEN IN THE EXAMPLE, SO MAKE SURE YOU USE YOUR OWN CALCULATIONS AND NOT THOSE IN THE EXAMPLE.

[BE SURE TO CHECK PP. 35-38 IN THE TEXT]

WORKSHEET FOR ESTIMATING WHAT YOU CAN AFFORD TO PAY FOR A HOUSE

STEP 1

FIGURE OUT YOUR *REGULAR MONTHLY TAKE-HOME (NET) PAY AFTER DEDUCTIONS* FOR TAXES, SOCIAL SECURITY, PENSION, UNION DUES, ETC. (INCLUDE ONLY WHAT YOU CAN DEFINITELY COUNT ON).

	AN EXAMPLE	YOUR ESTIMATE
● Employment (after deductions)	\$ 850	\$ _____
● Social Security, Disability/Pension Benefits, Welfare Payments, etc.	\$ 0	\$ _____
● Alimony, Child Support	\$ 0	\$ _____
● Interest on Savings Accounts	\$ 15	\$ _____
● Stock Dividends, Bond Income, etc.	\$ 0	\$ _____
● Other Income (such as, second job)	\$ 135	\$ _____
TOTAL (NET) INCOME	\$ 1,000	_____

STEP 2

FIGURE OUT YOUR *REGULAR MONTHLY EXPENSES (EXCLUDING RENT AND UTILITIES)*.

● Food (groceries, eating out, etc.)	\$ 250	\$ _____
● Clothes (new clothes, laundry, etc.)	\$ 60	\$ _____
● Personal Care (cosmetics, hair care, personal hygiene)	\$ 25	\$ _____
● Medical/Dental Bills (plus prescriptions)	\$ 35	\$ _____
● Home Furnishings and Expenses	\$ 20	\$ _____
● Recreation (movies, vacation)	\$ 30	\$ _____
● Gifts (birthdays, holidays)	\$ 25	\$ _____
● Car expenses (auto loan, insurance, gas, oil, maintenance, etc.)	\$ 110	\$ _____
● Life and Health Insurance	\$ 50	\$ _____
● Child Care Expenses	\$ 15	\$ _____
● Installment Loans (charge accounts, credit cards)	\$ 30	\$ _____
● Regular savings	\$ 30	\$ _____
● All Other Miscellaneous Expenses	\$ 20	\$ _____
TOTAL (NON-HOUSING) EXPENSES	\$ 700	_____

STEP 3

SUBTRACT THE TOTAL IN *STEP 1* FROM THE TOTAL IN *STEP 2* TO GET THE *AMOUNT AVAILABLE FOR HOUSING EXPENSES*.

TOTAL AVAILABLE FOR HOUSING	\$ 300	_____
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WORKSHEET FOR ESTIMATING WHAT YOU CAN AFFORD
TO PAY FOR A HOUSE (CONTINUED)

	AN EXAMPLE	YOUR ESTIMATE
STEP 4	TAKE 2/3 OF TOTAL AVAILABLE FOR HOUSING (STEP 3) TO ESTIMATE YOUR <i>MONTHLY</i> MORTGAGE PAYMENT.	
	$2/3 \times \$ \underline{300} = \$ \underline{200}$	\$ _____
STEP 5	MULTIPLY THIS FIGURE BY 12 TO GET YOUR <i>ANNUAL</i> MORTGAGE PAYMENT.	
	$12 \times \$ \underline{200} = \$ \underline{2,400}$	\$ _____
STEP 6	MULTIPLY THIS FIGURE BY 10 TO ESTIMATE THE SIZE OF A <i>LOAN</i> YOU CAN SUPPORT.	
	$10 \times \$ \underline{2,400} = \text{(Loan Amount)} \quad \$ \underline{24,000}$	\$ _____
STEP 7	ADD THE AMOUNT YOU HAVE SAVED FOR A DOWN PAYMENT (BUT SET ASIDE ENOUGH FOR CLOSING COSTS AND MOVE-IN EXPENSES).	
	$\$ \underline{3,000}$ <i>down payment</i>	\$ _____

THIS IS THE APPROXIMATE AMOUNT YOU CAN AFFORD TO PAY FOR A HOUSE.

\$ 27,000	\$ _____
-----------	----------

TEST THE RULES OF THUMB
2-2½ x ANNUAL TAKE-HOME (NET) PAY IN STEP 1

AN EXAMPLE	YOUR ESTIMATE
$2 \times \$ \underline{12,000} = \$24,000$	$2 \times \$ \underline{\hspace{2cm}} = \boxed{\hspace{2cm}}$
$2\frac{1}{2} \times \$ \underline{12,000} = \$30,000$	$2\frac{1}{2} \times \$ \underline{\hspace{2cm}} = \boxed{\hspace{2cm}}$

SEE PAGE 15 IN THE TEXT TO DETERMINE IF YOU SHOULD USE 2 TIMES OR 2½ TIMES AS A GUIDE

WORKSHEET FOR FIGURING YOUR NET WORTH

WHEN YOU GO TO A LENDER TO APPLY FOR A MORTGAGE LOAN, YOU SHOULD BE PREPARED TO ANSWER A NUMBER OF QUESTIONS ABOUT YOUR FINANCIAL SITUATION. THIS WORKSHEET WILL HELP PREPARE YOU TO ANSWER SOME OF THOSE QUESTIONS.

INFORMATION ON YOUR ASSETS

LIST ALL YOUR ASSETS. Include any of the following:

<u>ASSETS</u>	<u>VALUE</u>
● Amount you now have in Savings Account(s)	\$ _____
● Cash on hand (in cash or checking account)	\$ _____
● Stocks, bonds, life insurance policies (give current market value or actual cash value)	\$ _____
● Real Estate you now own (give assessed market value or price paid)	\$ _____
● Automobile(s) (give the book value for make, model, and year of the car)	\$ _____
● Household furnishings (give the value of all items including furniture, silverware, carpets, paintings, T.V.'s, stereo, other appliances)	\$ _____
● Jewelry, antiques, furs (give appraised value)	\$ _____
● Other items of value (for example, boat, trailer, bike, etc.)	\$ _____
● Amount of money owed to you (IOU's, tax refunds, etc.)	\$ _____
● Other	\$ _____
TOTAL ASSETS	\$

WHEN YOU KNOW THE APPROXIMATE VALUE OF YOUR ASSETS YOU WILL ALSO WANT TO KNOW WHAT YOUR LIABILITIES ARE; THAT IS, ALL THE OUTSTANDING DEBTS YOU OWE TO OTHER PEOPLE. SEE THE NEXT PAGE.

WORKSHEET FOR FIGURING YOUR LIABILITIES

YOU WILL WANT TO LIST THE *TOTAL AMOUNT OWED* TO AN INDIVIDUAL CREDITOR (BUT *NOT YOUR MONTHLY PAYMENT* TO THE CREDITOR).

<u>PERSON OR INSTITUTION TO WHOM MONEY IS OWED (CREDITOR)</u>	<u>TOTAL AMOUNT NOW OWED</u>
● Personal loans from Banks or Finance Companies	\$ _____
● Automobile loans	\$ _____
● Installment Accounts (charge accounts, credit cards, department stores, revolving accounts)	\$ _____
● Medical/dental bills due (including hospital)	\$ _____
● School (tuition, education loan)	\$ _____
● Real Estate loans	\$ _____
● Personal loan from relatives or friends	\$ _____
● Other debts now owed or bills not paid	\$ _____
TOTAL LIABILITIES	\$ _____

SUBTRACT THE AMOUNT OF YOUR *LIABILITIES* FROM YOUR *TOTAL ASSETS* (bottom of preceding page) TO ARRIVE AT THE FIGURE FOR YOUR *NET WORTH*.

TOTAL ASSETS (p.1-5)		\$ _____
less TOTAL LIABILITIES		\$ _____

equals NET WORTH		\$ _____

THIS WILL GIVE YOU AN IDEA OF YOUR PRESENT INDEBTEDNESS, AND HELP YOU DETERMINE HOW MUCH MORE FINANCIAL BURDEN YOU CAN HANDLE.

2

THE SEARCH FOR A HOUSE

- CHOOSING THE RIGHT NEIGHBORHOOD
- LOOKING FOR HOUSES FOR SALE
- USING A REAL ESTATE BROKER
- DEALING WITH DISCRIMINATION
- CHOOSING THE RIGHT HOUSE
- KNOWING WHAT THE HOUSE WILL COST

QUESTIONS YOU SHOULD ASK YOURSELF BEFORE YOU BEGIN LOOKING

1. WHY DO I REALLY WANT TO BUY A HOUSE?
2. HOW MUCH CAN I AFFORD TO PAY?
3. WHERE DO I WANT TO LIVE?
4. WHAT KIND OF A HOUSE DO I WANT?
5. IS NOW A GOOD TIME TO BUY?

IF YOU DON'T HAVE THE ANSWERS, CHECK SECTION 1

THIS SECTION INCLUDES:

- Choosing the Right Neighborhood
- Looking for Houses for Sale
- Using a Real Estate Broker
- Dealing with Discrimination
- Choosing the Right House
- Knowing What the House Will Cost

DON'T FORGET TO CHECK APPENDIX 2 FOR THE FOLLOWING:

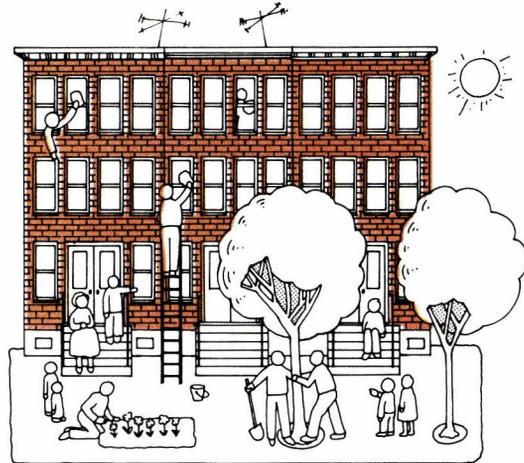
- Neighborhood Inspection Checklists
- Housing Inspection Checklists
- Worksheet for Estimating Your Housing Costs
- Sources of Assistance While Looking for a House
- Anti-discrimination Services and Complaint Form

NEIGHBORHOOD CHOICE

CHOOSING THE RIGHT NEIGHBORHOOD IS AN IMPORTANT PART OF BUYING A HOUSE BECAUSE . . .

1. THE PRICE YOU PAY FOR A HOUSE IS INFLUENCED BY THE QUALITY OF THE NEIGHBORHOOD IN WHICH IT'S LOCATED.

- The value of other houses in the area
- The quality of schools and other public services
- The appearance of the neighborhood (parks, trees, landscaping)
- The absence of crime, vandalism, litter, noise or other problems



2. THE LOCATION OF THE HOUSE DETERMINES WHETHER YOU WILL BE CLOSE TO THE THINGS YOU WANT OR NEED.

- Present or future job
- Good schools, shopping, medical facilities
- Convenient public transportation
- Child care facilities
- Other neighborhood services



3. YOUR ENJOYMENT OF THE HOUSE MAY DEPEND ON WHETHER YOU LIKE YOUR NEIGHBORS AND FEEL COMFORTABLE WITH THEM.

- Relatives and friends in the neighborhood
- Other children for your kids to play with
- Neighbors who share your interests
- Neighbors willing to work toward making the neighborhood better



4. THE FUTURE OF THE NEIGHBORHOOD MAY AFFECT THE VALUE OF YOUR HOUSE (AND LATER YOUR ABILITY TO SELL IT).

- The value of your house will rise as the neighborhood becomes a more attractive place to live.
- Neighborhood decline (poorly maintained homes, increasing crime, litter, vandalism, vacant houses, etc.) will lessen the value of your home.

THE LIST OF QUESTIONS ON THE NEXT PAGE WILL HELP YOU IN CHOOSING A NEIGHBORHOOD TO LIVE IN . . .

WHAT TO CONSIDER IN A NEIGHBORHOOD

GENERAL NEIGHBORHOOD QUALITY

- Are homes in the area well taken care of?
- Are there good public services (police, fire, garbage collection, water, sewers, street lights, and so forth)?
- Is the neighborhood pleasant to look at?
- Is the neighborhood safe?
- Are there good schools for your children? How far away?
- Are there other aspects of the neighborhood that might bother you (factories, heavy traffic, noise, litter, smoke, and so forth)?

CONVENIENCE OF THE NEIGHBORHOOD

- How far will you be from your present job or from places you could work?
- How far will you be from grocery shopping, stores, schools, etc.?
- Is regular public transportation available nearby?
- Are there child care services available nearby?
- Are you near other services you might need (hospitals, doctors, etc.)?
- Are there parks or play areas nearby?

FRIENDS, RELATIVES AND NEIGHBORS

- Do any of your friends or relatives live in the area now?
- Are there other children for your kids to play with?
- Will you feel comfortable with the neighbors?
- Are there active community groups that are working to improve the neighborhood?

CHANGES IN THE NEIGHBORHOOD (ASK THE PEOPLE WHO LIVE THERE NOW.)

- Are houses and other buildings being fixed up? Or are they run down?
- Are all the houses on the block occupied or are some vacant and boarded up?
- Are long-time residents staying or are they leaving the area?
- Are major stores in the area doing well or going out of business?
- Is crime in the area getting worse or is it less of a problem now?
- Are real estate taxes increasing? Decreasing? Will they be?
- Are home prices increasing, decreasing or staying the same?

REMEMBER TO USE THE NEIGHBORHOOD CHECKLISTS WHEN YOU GO OUT LOOKING FOR HOUSES

LOOKING FOR HOUSES FOR SALE

THE FOLLOWING TIPS CAN HELP YOU FIND THE RIGHT HOUSE

1. KNOW WHAT YOU ARE LOOKING FOR (SEE SECTION 1)

- Rough idea of price you can afford
- The kind of house you want
- General location or neighborhood
- Things you want in a neighborhood

2. TAKE YOUR TIME (DON'T BE PUSHED INTO A QUICK DECISION)

- Visit as many houses as possible to compare prices and features.
- You will want to look at some houses two or three times.
- Don't give in to pressure to "buy now," if you're not sure.
- Your feelings about a house or neighborhood can change over time.
- THINK IT OVER (but don't risk losing the house you want by waiting *too* long).

3. CHECK ALL IMPORTANT SOURCES OF INFORMATION

- Friends and relatives
- Real estate brokers
- Newspaper
- People at work
- Neighborhood residents
- Supermarket bulletin boards
- Community organizations
- City Hall (about taxes, schools, etc.)
- Lenders in the area (for recent sales prices, etc.)

4. BE THOROUGH IN YOUR SEARCH

- Make as many visits as necessary
- Inspect the house during the day *and* at night (and when it's raining, if possible)
- Don't rely on one source of information alone —
- Get a professional inspection if you're not sure
- Don't be fooled by "cosmetics" (quick paint jobs, wallpaper or fancy fixtures)
- USE THE CHECKLISTS IN THIS GUIDEBOOK

5. IF THERE'S SOMETHING YOU DON'T KNOW ABOUT OR CAN'T UNDERSTAND, MAKE SURE TO ASK.

IT'S YOUR MONEY.



USING A REAL ESTATE BROKER

REAL ESTATE BROKERS CAN HELP YOU FIND THE RIGHT HOUSE, IF YOU'RE PREPARED TO USE THEIR SERVICES WISELY

1. CHECK THE BROKER'S REPUTATION

- Is he or she licensed to sell real estate (ask to see the license)
- Is he or she a member of a reputable professional organization?

2. VISIT **SEVERAL** BROKERS TO FIND OUT WHAT'S AVAILABLE IN YOUR PRICE RANGE

3. LET THE BROKERS KNOW WHAT YOU WANT IN A HOUSE

- Tell them what you can afford
- Let them know what's important to you in a house and neighborhood
- Be as clear as possible to save time

4. GET ALL THE INFORMATION

- Ask to see the "listing book"
- Make copies of the information for the houses you're interested in
- Make sure the broker tells you about *all* the houses in your price range
- Visit as many houses as necessary

5. WHEN VISITING A HOUSE, ASK QUESTIONS

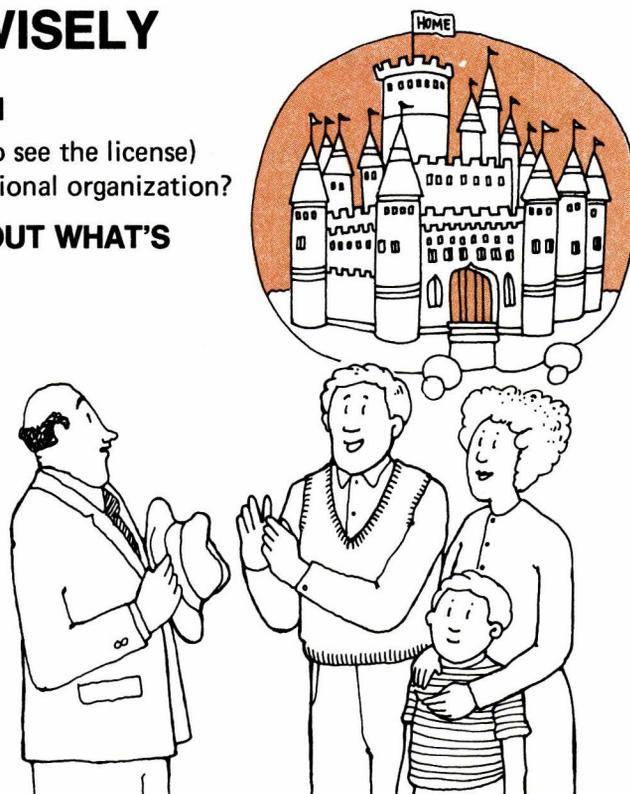
- Honest brokers will tell you about the *faults* of a house as well as its good points, **BUT YOU'LL HAVE TO ASK THE RIGHT QUESTIONS.**
- If the broker doesn't know the answers, make sure he or she gets the information for you.
- Don't overlook important details the broker may have forgotten to mention. **REFER TO YOUR CHECKLISTS.**
- Check the broker's information with the owner of the house (if possible).

6. DON'T BE PRESSURED INTO BUYING THE FIRST TIME YOU SEE A HOUSE

- Watch out for statements like, "You'd better make an offer today; another family wants this house."
- It may be true, but resist. **THERE ARE OTHER HOUSES.**
- *You* don't pay the broker anything for showing you houses.

REMEMBER, THE BROKER GETS PAID A PERCENTAGE OF THE SALES PRICE

- It is his job to **NEGOTIATE** for the highest price that you will pay *and* the lowest price the owner will accept.
- The broker works for himself and the seller (not for you).

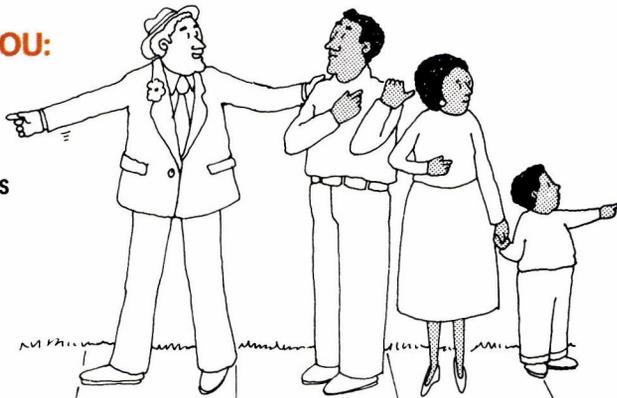


DEALING WITH DISCRIMINATION WHILE LOOKING FOR A HOUSE

DISCRIMINATION TAKES MANY FORMS. THE FEDERAL FAIR HOUSING LAW MAKES IT ILLEGAL FOR ANYONE TO DISCRIMINATE BECAUSE OF YOUR RACE, RELIGION, SEX, COLOR OR NATIONAL ORIGIN. (IN MANY STATES OTHER FORMS OF DISCRIMINATION MAY ALSO BE ILLEGAL.)

HOW DISCRIMINATION MAY AFFECT YOU:

- You may be denied a chance to look at or buy a particular house in a particular neighborhood.
- You may be "steered" by real estate brokers into looking at houses only in certain neighborhoods
- You may be pressured into paying more for a house than others would.
- You may become so discouraged that you decide not to buy at all.



DISCRIMINATION IS SOMETIMES HARD TO DETECT. SOME OF THE WAYS IT IS PRACTICED INCLUDE:

- You are told the house is sold when it is not.
- You are told there are other offers, or there is no one to show you the house.
- You are asked to leave your phone number, and if the exchange is located in a minority area, no one calls you back.
- You are told the seller has decided not to sell or has raised the price.
- The broker says he or she has nothing available in your price range, and refuses to show you the listing of houses for sale.
- There is no one in the office to show you the house; you can't get an appointment; or the broker cancels an appointment.
- You are told the house isn't what you want, is too expensive, or not desirable.
- The owner is out, sick, sleeping, etc.

Answering an
Ad by Phone

Visiting a
Broker

YOU SHOULD GET HELP IF YOU THINK YOU HAVE BEEN DISCRIMINATED AGAINST.

WHAT TO DO IF YOU THINK YOU HAVE BEEN DISCRIMINATED AGAINST:

1. CHECK THE APPENDIX at the end of this section for:

- Steps you should take to file a complaint.

2. WRITE DOWN A FEW NOTES on the way you think discrimination may have been practiced:

- The names of the real estate agency, the seller or other persons you think discriminated against you.
- The date, time and place it occurred.
- How you think you were discriminated against.
- The names of any witnesses who were with you when the discrimination occurred.

3. CALL THE PEOPLE WHO CAN HELP. Get in touch with your local civil rights organization or the local office of the U.S. Department of Housing and Urban Development (HUD). The steps they take on your behalf usually include:

- Taking down the facts of your case (over the phone or in person).
- Sending out an investigator ("tester") to check whether your rights were denied in any way.
- If they agree you were discriminated against, contacting the seller, real estate broker or other persons involved to work out an agreement.
- If they can't work out an agreement, or if the person denies having discriminated, beginning the LEGAL PROCESS for filing a formal complaint before the state civil rights commission or the state or federal courts.



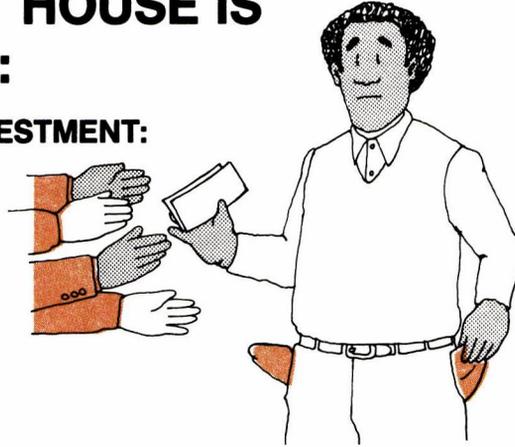
REMEMBER: IF YOU THINK YOU HAVE BEEN DISCRIMINATED AGAINST, YOU CAN AND SHOULD DO SOMETHING ABOUT IT.

CHOOSING THE RIGHT HOUSE

CHOOSING THE RIGHT HOUSE IS IMPORTANT BECAUSE:

A HOUSE IS A MAJOR FINANCIAL INVESTMENT:

- You may need a lot of money for the down payment, for closing costs and for move-in expenses.
- Much of your monthly income may have to go for your mortgage payments, and for real estate taxes, insurance, utilities (gas, electricity, heat), and repairs.
- If you don't choose carefully, you may lose money when it comes time to sell your house.



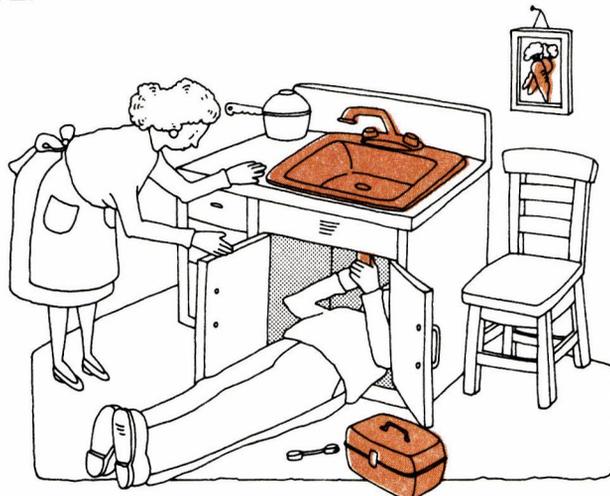
YOU MAY BE LIVING IN YOUR HOUSE A LONG TIME.

- Make sure the rest of your family is happy with the choice.
- Be prepared for the increasing costs of owning your home (rising taxes, higher utility bills and insurance premiums, and maintenance costs).
- Plan for future members of your family and their changing needs.



YOU HAVE TO MAINTAIN THE HOUSE.

- What condition is the house in now?
- If major repairs are necessary, do you have the time, money and skills to do them yourself, or will you have to hire someone to do them for you?
- Over the long run is the house going to need a lot of expensive upkeep? Will you be able to afford it?



KEEP THESE POINTS IN MIND AS YOU START YOUR SEARCH FOR A HOME.

WHAT TO LOOK FOR IN A HOUSE

WHEN YOU VISIT A HOUSE FOR SALE, YOU MUST DECIDE IF THE PRICE IS RIGHT.

WHO DECIDES A FAIR SALES PRICE?

- **YOU DO.** You know what you want in a house and how much you can afford.
- The seller who decides how much he will accept for the house.
- The real estate broker who wants the house to sell for the highest price possible (the commission is based on the sales price).
- Appraisers who determine the value of the property.



REMEMBER: SELLERS WILL ALMOST ALWAYS ASK FOR MORE THAN THEY ARE WILLING TO ACCEPT. BUT ONLY YOU CAN DECIDE HOW MUCH YOU WANT TO PAY.

WHAT IS REAL VALUE?

- Land (lot size) and landscaping
- Size of house, number of rooms
- Size of rooms, number of bathrooms
- Size of kitchen, amount of storage space
- Basement, attic, screened-in porches
- Quality of construction (inside/outside)
- New or upgraded electrical, plumbing, heating/cooling systems
- Energy saving features (storm windows, insulation, heat pumps)
- New roof, gutters, siding
- Convenient location, nice neighborhood

WHAT IS NOT REAL VALUE?

- Carpeting or fancy wallpaper that may hide defects.
- Owner's furnishings or appliances
- Fancy light or bathroom fixtures
- Cheap paint job, inside/outside
- Equipment you don't want or need (old washing machine, broken stove)
- Sentimental attachments of the present owner ("I've lived here all my life . . .," "I really don't want to sell the house . . .," etc.)

**REAL VALUE DETERMINES THE PRICE OF A HOUSE.
MAKE SURE YOU ARE PAYING FOR REAL VALUE.**

HOW TO EVALUATE THE CONDITION OF A HOUSE

WHEN YOU VISIT A HOUSE FOR SALE, YOU SHOULD INSPECT IT CAREFULLY FOR . . .

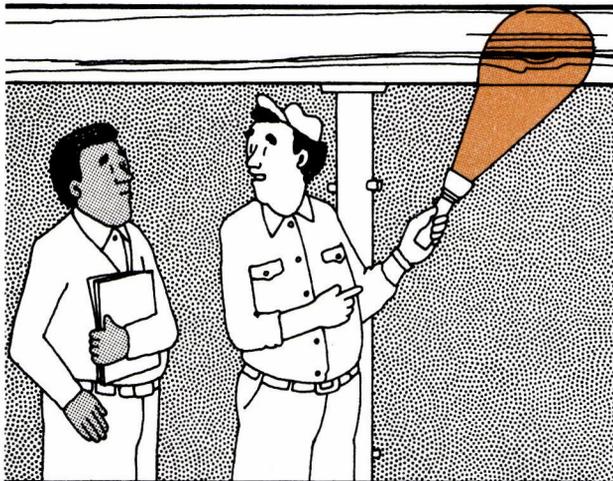
USE THE INSPECTION CHECKLIST IN APPENDIX 2

- The features *you* want and need.
- The *important faults or defects* that may create problems for you now or in the future.
- *How much it will cost you* to own and maintain.

REMEMBER, IF YOU BUY THE HOUSE, YOU WILL HAVE TO LIVE WITH YOUR MISTAKES. SO BE CAREFUL AND TAKE YOUR TIME.

THE LIST OF INSPECTION ITEMS ON THE **NEXT THREE PAGES WILL HELP YOU EVALUATE THE CONDITION OF HOUSES YOU LOOK AT.**

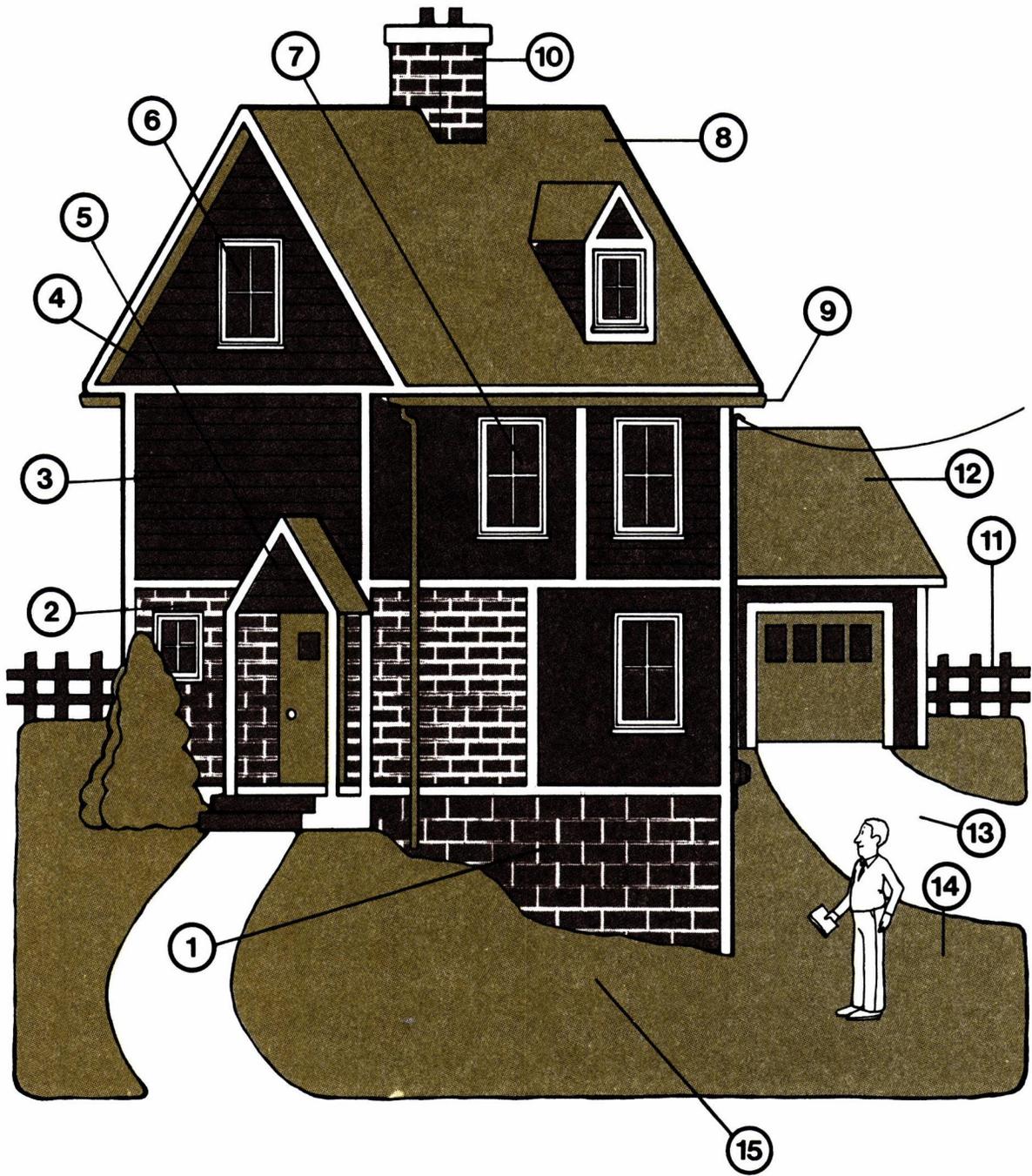
IF YOU ARE UNSURE ABOUT **ANY ASPECT OF THE HOUSE, IT'S A GOOD IDEA TO GET THE HELP OF A PROFESSIONAL INSPECTOR.**



- Often an inspector can point out things about the house you might not know about otherwise (like how long a roof will last, or whether you might need to replace a water heater).
- An inspector can show you structural problems or unsafe features you might overlook yourself.
- A professional inspector should also be able to evaluate the technical aspects of the house (like whether the plumbing or electrical wiring is in good shape).
- If you are thinking of buying an older home, a professional inspection may be even more important.

CHECK APPENDIX 2 FOR A LIST OF PLACES WHERE YOU CAN GET HELP INSPECTING A HOUSE.

THE MONEY YOU SPEND NOW FOR AN INSPECTION CAN SAVE YOU FROM COSTLY AND UNEXPECTED REPAIRS LATER ON.



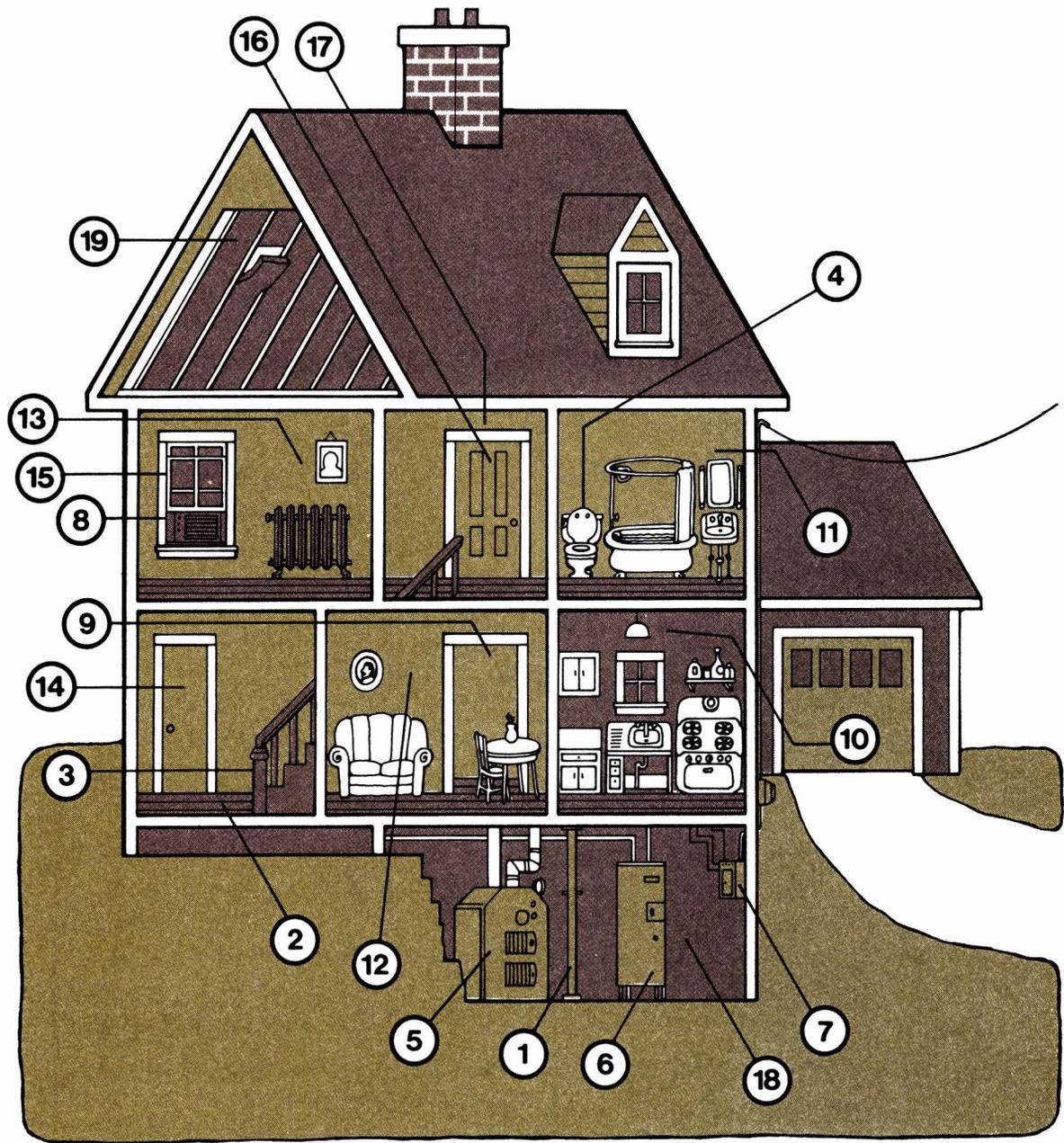
INSPECTING THE OUTSIDE OF THE HOUSE

USE THE INSPECTION CHECKLIST IN APPENDIX 2

MAKE SURE TO CHECK THE FOLLOWING ITEMS (the numbers refer to the diagram on the opposite page):

OUTSIDE THE HOUSE

1. **Foundation:** Check for holes, cracks, unevenness.
2. **Brickwork:** Look for cracks; loose or missing mortar.
3. **Siding** (clapboards, shingles, etc.): Look for loose or missing pieces, lifting or warping.
4. **Paint:** Look for peeling, chipping, blistering, etc.
5. **Entrance Porch:** Examine steps, handrails, posts, etc., for loose or unsafe features.
6. **Windows/Screens:** Look for cracked or broken glass; holes in screens.
7. **Storm Windows** (northern climates): Are they complete? Are they secure and properly caulked?
8. **Roof:** Look for worn or bald spots; ask how old and if under warranty or not.
9. **Gutters and Downspouts:** Check for missing sections; gaps or holes in joints; are there signs of leaks?
10. **Chimney:** Look for tilting; loose or missing bricks.
11. **Walls and Fences:** Look for holes, loose or missing sections, rotted posts.
12. **Garage** (if separate from house): check doors, roof, siding, windows.
13. **Driveway and Sidewalks:** Look for holes and cracks.
14. **Grounds/Landscaping:** Locate property line; are trees, shrubbery and grass in good shape?
15. **Proper drainage:** Will rain (or snow) flow *away* from the house? Are there any problems with leaching fields or septic tanks?



WHEN YOU ARE INSIDE THE HOUSE, CHECK THE MAJOR "SYSTEMS" OF THE HOUSE (PLUMBING, ELECTRICAL, ETC.) AND ALL THE ROOMS (the numbers refer to the diagram on the opposite page):

MAJOR HOUSE SYSTEMS

THE ROOMS IN THE HOUSE

- 1. Structure of the house:** Does the house feel solid? (Jump up and down on the floors). Check support posts and floor supports in basement; look for looseness, bending, rot or termites.
- 2. Floors:** Check for levelness, bowing, movement when you walk on them.
- 3. Stairs:** Look for loose treads; loose handrails.
- 4. Plumbing System:** Check water pipes and sewer lines for leaking or rusting; flush all toilets; turn on faucets to test the water pressure; look for clogged or sluggish drains; dripping faucets.
- 5. Heating System:** Find out what type of heat (warm air, hot water, electrical or steam); what type of fuel is used? How much does it cost to heat? (get last year's fuel bills); find out when system was last serviced.
- 6. Hot Water Heater:** Check for signs of leaking or rusting. What is the capacity or "recovery rate"? (should be a minimum of 30 gallons for family of 4; more for larger families) How old is it?
- 7. Electrical System:** Look at the "service box" — are there fuses or circuit breakers? Is it old or new? Look for exposed wires and signs of wear.
- 8. Cooling/Air Conditioning:** What kind of cooling is there? What is the age and condition? Is the unit under warranty? How much did it cost to use last year?
- 9. General Layout:** Are the rooms conveniently located? What are the "traffic patterns"?
- 10. Kitchen:** What appliances are included (stove, refrigerator, dishwasher, garbage disposal)? Check for age, workability. Are there enough shelves and counter space? Are there enough electrical outlets? Are there leaks under the sink?
- 11. Bathrooms:** Are there enough for your family? Check for cracks in tiles; signs of leaks; how long it takes to get hot water; proper ventilation (window or fan?)

ROOMS CONTINUED

12. **Living Room/Dining Room:** Are they large enough? Is there a fireplace? If so, does the damper work; has the chimney been cleaned out recently?
13. **Bedrooms:** Are there enough for your family? Are they large enough? Does each have a window to the outside? Does each have a closet large enough for your needs?
14. **Storage Space:** Are there enough closets in the house? Are there other rooms you can use to store things?
15. **Windows:** Check for broken sash cords; loose frames; locks.
16. **Doors:** Do they close properly? Are there good locks?
17. **Walls/Ceilings:** Check for major cracks; loose or falling plaster; signs of leaks or stains.
18. **Basement** (if present): Check for signs of leaks, dampness or flooding; make sure there's enough lighting.
19. **Attic** (if accessible): Look for signs of roof leaks; check insulation (how much? what type?); are there signs of squirrels or other rodents?

WHENEVER YOU LOOK AT A HOUSE, DON'T FORGET TO . . .

- *Bring a flashlight* to look into those dark corners . . .
- *Ask if you will need a termite inspection.* This may be required by the lender, the FHA, the VA or your local building department.
- *Ask about other inspections* that may be required by state or local laws (in some cases sellers may have to pay for these). The broker or the lender can tell you which ones are required and who should pay for them.
- *Ask about warranties* on any items (such as roof, new appliances, hot water heater, furnace, air conditioning).
- *Ask about builders' warranties on new homes* (what is covered and for how long?)
- Get a professional inspection if you have any doubts.
- **ASK AS MANY QUESTIONS AS YOU CAN THINK OF AND USE THE INSPECTION CHECKLIST IN APPENDIX 2.**

**FEW HOMES ARE PERFECT — BUT YOU WILL BE MUCH BETTER OFF IF YOU
KNOW WHAT THE PROBLEMS ARE BEFOREHAND**

FIGURING OUT HOW MUCH THE HOUSE WILL COST YOU

ONCE YOU HAVE FOUND A HOUSE YOU LIKE, VISIT THE HOUSE **TWO OR THREE TIMES** TO MAKE SURE IT HAS EVERYTHING YOU WANT (AND NOT TOO MANY PROBLEMS)

THEN TAKE THE FOLLOWING STEPS TO FIGURE OUT **HOW MUCH IT WILL COST YOU** TO BUY AND OWN THE HOME . . .

USE THE WORKSHEET IN THE APPENDIX

1. IS THE ASKING PRICE “FIRM” OR CAN YOU GET IT FOR LESS?

- Never accept the asking price automatically, especially if the house has been for sale a long time.
- If the broker doesn't give you a firm figure, start by *taking off at least 10 percent*.
- You may be able to take off more if there are a lot of problems with the house (go over your "Housing Inspection Checklist").

AN EXAMPLE

- The asking price is \$30,000 (from broker's listing)
- You figure \$27,000 is a good place to start (\$30,000 less 10% or \$3,000 = \$27,000).

2. FIGURE OUT YOUR DOWN PAYMENT

- With a conventional loan and no mortgage insurance, the down payment will be about 20-25% of the sales price
- With private mortgage insurance the down payment will be 5 - 10%
- With FHA insurance the down payment may be 3 - 10%
- With a VA-guaranteed loan (veterans) the down payment may be *less* than 3%

BE SURE TO SET ASIDE ENOUGH FOR **CLOSING COSTS (ABOUT 5% OF THE SALES PRICE) AND FOR MOVE-IN EXPENSES.**

EXAMPLE CONTINUED

- You have \$3,000 saved up for the down payment, closing costs and moving expenses
- You figure you want to put \$1,400 down on the house (about 5%)
- To be on the safe side you figure you'll need another \$1,300 for closing costs
- This leaves you \$300 for moving costs (\$3,000 less \$1,400 down and less \$1,300 closing costs)

YOUR NEXT STEP IS TO FIGURE OUT WHAT YOU NEED FOR A MORTGAGE LOAN 

YOUR PAYMENTS TO THE LENDER

3. FIGURE OUT WHAT YOU NEED FOR A LOAN (MORTGAGE AMOUNT)

- Subtract your down payment from the "rough" sales price
- What you have left is the amount you need for a loan

EXAMPLE CONTINUED

- The "rough" sales price is \$27,000
- You've set aside \$1,400 for the down payment
- You need a \$25,600 mortgage ($\$27,000 - \$1,400 = \$25,600$)

4. FIGURE OUT YOUR MONTHLY PAYMENTS TO THE LENDER

- These include:

PITI

PRINCIPAL and INTEREST on the loan (P+I)
 REAL ESTATE TAXES (T)
 MORTGAGE INSURANCE PREMIUM (I)
 HOMEOWNERS INSURANCE (I) – fire, theft, liability, etc.

- For a rough estimate of principal, interest and mortgage insurance, take 10% of your mortgage and divide this by 12 to get your monthly cost.
- TO BE MORE EXACT, ask the broker or lender, or use the "HOMEBUYER'S ESTIMATOR OF MONTHLY HOUSING COSTS" available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, Stock No.: 023-000-00319-8.
- ADD ON YOUR REAL ESTATE TAXES (Ask the broker, the seller or the city or county tax assessor's department).
- ADD ON HOMEOWNER'S INSURANCE (Broker or insurance company can tell you).

EXAMPLE CONTINUED

MORTGAGE = \$25,600	<u>Per Year</u>	<u>Per Month</u>
• Principal + Interest + Mortgage Insurance (10% of mortgage/year)	\$2,560	\$213
• Real Estate Taxes	600	50
• Homeowner's Insurance	200	17
➡ TOTAL PAYMENTS TO THE LENDER	\$3,360	\$280

DON'T FORGET OTHER COSTS YOU'LL HAVE TO PAY ➡

ADD UP THE OTHER COSTS

5. YOUR OTHER MONTHLY HOUSING COSTS (UTILITIES, MAINTENANCE AND REPAIRS, SPECIAL FEES)

- **UTILITIES** For an *older house*, get last year's figures for gas, oil, electricity, water, sewer, etc. from seller or broker. **ADD 10 PERCENT FOR RISING COSTS.**
For a *new house*, ask the builder *and* check with utility companies for an estimate.
- **MAINTENANCE AND REPAIRS** Set aside at least 10 percent of mortgage payment (maybe more for older homes).
- **SPECIAL FEES:** These may include special town assessments, homeowners association dues, etc. **ASK THE BROKER, SELLER OR BUILDER.**

EXAMPLE CONTINUED

	<u>Per Year</u>	<u>Per Month</u>
• Utilities (gas, electricity, water, sewer) + 10%	\$550	\$46
• Maintenance and Repair (10% of payment to the lender)	336	28
• Special Fees (Association dues)	75	6
➔ TOTAL OTHER EXPENSES	<u>\$961</u>	<u>\$80</u>

6. ADD UP ALL THE MONTHLY COSTS YOU HAVE FIGURED, INCLUDING YOUR PAYMENTS TO THE LENDER AND YOUR OTHER MONTHLY COSTS

EXAMPLE CONTINUED

• MONTHLY PAYMENTS TO THE LENDER (Principal, Interest, Taxes, and Insurance)	\$280
• OTHER MONTHLY COSTS (Utilities, Maintenance and Repairs, and Special Fees)	<u>80</u>
➔ YOUR TOTAL HOUSING COSTS	\$360

CAN YOU AFFORD TO PAY THESE COSTS EACH MONTH?

WILL YOU HAVE ENOUGH LEFT OVER FOR YOUR OTHER EXPENSES?

... SEE NEXT PAGE ➔

CAN YOU AFFORD TO BUY THE HOUSE?

Now that you know about how much you'll be paying for the house, and how much it will cost you each month to own . . .

HOW DO THESE FIGURES COMPARE WITH YOUR HOUSING BUDGET? (SEE SECTION 1)

TEST THE "RULES OF THUMB"

EXAMPLE CONTINUED

- Would you be paying more than 2 to 2½ times your yearly income for the house?
- Would your monthly housing costs be more than 1/3 of your monthly take-home pay?
- Your annual income (take-home pay) is \$12,000; a \$27,000 house is a little more than two times your income.
- Your monthly take-home pay is \$1,000. Your monthly housing cost (\$360) is a little more than 1/3 of your take-home pay.
- You may want to reduce your monthly expenses by: getting a longer term mortgage, making a larger down payment, getting a lower price from the seller, or cutting out other expenses (other than housing).

DON'T GET IN OVER YOUR HEAD



- If you have a lot of extra bills (car payments, educational expenses, etc.) *your housing costs should be lower.*
- If you only have a few bills to pay, you may be able to afford slightly higher housing costs per month.

NOW THAT YOU HAVE AN IDEA OF HOW MUCH THE HOUSE WILL COST, YOU ARE BETTER PREPARED FOR THE NEXT STEP . . .

NEGOTIATING THE SALES PRICE AND SIGNING A PURCHASE CONTRACT

APPENDIX 2

- **NEIGHBORHOOD INSPECTION CHECKLIST**
- **HOUSING INSPECTION CHECKLIST**
- **WORKSHEET FOR ESTIMATING HOUSING COSTS**
- **WHERE TO GET HELP FINDING A HOUSE**
- **ANTI-DISCRIMINATION SERVICES**

NEIGHBORHOOD INSPECTION CHECKLIST

(Refer to pages 21 and 22 in the text)

Before you start looking for a house it is wise to have some idea of those features in a neighborhood that are important to you.

Remember, part of the value of *any* house depends on the quality of the neighborhood in which it is located. Therefore, in selecting a house you will want to look at the neighborhood carefully as well, to be sure that you will be happy there and that the house you buy will maintain its value.

The *Neighborhood Inspection Checklist* on the back of this page will help you to evaluate the quality of the neighborhood in which you may want to buy a home.

NEIGHBORHOOD INSPECTION CHECKLIST

NEIGHBORHOOD QUALITY

YES

NO

NOT IMPORTANT

- | | | | |
|---|--------------------------|--------------------------|--------------------------|
| 1. Are the homes well taken care of? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are there good public services (police, fire)? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Are there paved roads? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Are there sidewalks? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Is there adequate street lighting? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Is there a city sewer system? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is there a safe public water supply? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Are the public schools good? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

NEIGHBORHOOD CONVENIENCE

- | | | | |
|---|--------------------------|--------------------------|--------------------------|
| 1. Will you be near your work? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are there schools nearby? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Are there shopping centers nearby? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Is there public transportation available? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Will you be near child care services? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Are hospitals, clinics, or doctors close by? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Is there a park or playground nearby? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

NEIGHBORS

- | | | | |
|---|--------------------------|--------------------------|--------------------------|
| 1. Will you be near friends or relatives? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Will you be near other children of your kids' age? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Will you feel comfortable with the neighbors? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Is there an active community group? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

DOES THE NEIGHBORHOOD HAVE ANY PROBLEMS, SUCH AS:

- | | | | |
|--------------------------------------|--------------------------|--------------------------|--------------------------|
| 1. Increasing Real Estate taxes? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Decreasing sales prices of homes? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Lots of families moving away? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Heavy traffic or noise? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Litter or pollution? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Factories or heavy industry? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Businesses closing down? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Vacant houses or buildings? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Increasing crime or vandalism? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

GOOD

FAIR

POOR

WHAT IS YOUR OVERALL RATING OF THE NEIGHBORHOOD?

HOUSE INSPECTION CHECKLISTS

REMEMBER, WHEN YOU INSPECT A HOUSE

- Look at the whole house, inside and out; attic and basement, and all the rooms.
- Bring a flashlight to see into those dark corners.
- Ask about warranties on various systems or appliances.
- Ask what inspections may be required by local laws or by the lender.

IF YOU HAVE ANY DOUBTS ABOUT ANY PART OF THE HOUSE, GET A PROFESSIONAL INSPECTION. IT IS WELL WORTH THE EXTRA COST TO BE SURE YOU KNOW WHAT YOU'RE GETTING.

USE THE RESULTS OF THE WORKSHEET ON THE NEXT THREE PAGES FOR NEGOTIATING THE SALES PRICE WITH THE SELLER.

INSPECTION CHECKLIST

OUTSIDE THE HOUSE--STRUCTURE & GROUNDS--(see p. 31 in the text)

[The numbers refer to the diagram on p. 30]

INSPECTION ITEM	CONDITION		ITEM UNDER WARRANTY?	ADDITIONAL COMMENTS
	Adequate - Not a Problem	Inadequate - Needs Repair or Replacement		
1. FOUNDATION				
2. BRICKWORK				
3. SIDING				
4. EXTERIOR PAINT				
5. PORCH (ES)				
6. WINDOWS/SCREENS				
7. STORM WINDOWS				
8. ROOF				
9. GUTTERS & DOWNSPOUTS				
10. CHIMNEY (S)				
11. WALLS/FENCES				
12. GARAGE				
13. DRIVEWAY/WALKS				
14. GROUNDS/LANDSCAPING				
15. DRAINAGE/ SEPTIC SYSTEMS				
16. OTHER ITEMS OUTSIDE THE HOUSE				

INSPECTION CHECKLIST--continued

INSIDE THE HOUSE--STRUCTURE AND SYSTEMS--(see p. 33 in the text)

[The numbers refer to the diagram on p. 32]

INSPECTION ITEM	CONDITION		ITEM UNDER WARRANTY?	ADDITIONAL COMMENTS
	Adequate - Not a Problem	Inadequate - Needs Repair or Replacement		
1. STRUCTURE OF HOUSE ● support posts (basement) ● floor beams (basement)				
2. FLOORS				
3. STAIRS (treads, handrails)				
4. PLUMBING SYSTEM ● water pipes ok? ● sewer pipes ok? ● water pressure ok? ● toilets work? ● sinks & faucets? ● drains work?				Cost of water bills last year? \$ _____
5. HEATING SYSTEM ● what type? ● how old? ● kind of fuel? ● when serviced last?				Cost of heat last year \$ _____
6. HOT WATER HEATER? ● how old? ● capacity or recovery rate?				
7. ELECTRICAL SYSTEM ● how old? ● fuses or circuit breaker? ● # volts/amps?				Cost of electricity last year \$ _____
8. COOLING/AIR CONDI- TIONING? ● evaporative or cooling?				Cost to use last year \$ _____

INSPECTION CHECKLIST-continued

ROOMS INSIDE THE HOUSE--(see p. 34 in the text)

[The numbers refer to the diagram on p. 32]

INSPECTION ITEM	CONDITION		ITEM UNDER WARRANTY?	ADDITIONAL COMMENTS
	Adequate - Not a Problem	Inadequate - Needs Repair or Replacement		
9. GENERAL ROOM LAYOUT (traffic patterns)				
10. KITCHEN <ul style="list-style-type: none"> ● size of kitchen ● stove/oven ● refrigerator ● dishwasher ● disposal/sink ● counter space ● cabinets/shelves ● electrical outlets ● floor condition ● windows/ventilation 				
11. BATHROOMS <ul style="list-style-type: none"> ● no. of bathrooms ● toilets, showers/tubs ok? ● tiles & floors? ● lighting/ventilation? 				
12. LIVING ROOM/DINING ROOM <ul style="list-style-type: none"> ● size ok? ● fireplace? 				
13. BEDROOMS <ul style="list-style-type: none"> ● no. & size ● closets adequate? ● windows? 				
14. STORAGE SPACE				
15. WINDOWS IN HOUSE				
16. DOORS IN HOUSE				
17. WALLS/CEILINGS OK?				
18. BASEMENT <ul style="list-style-type: none"> ● leaks/dampness? ● lighting ok? 				
19. ATTIC <ul style="list-style-type: none"> ● signs of leaks? ● insulation? ● signs of rodents? 				How much insulation?

WHERE TO GET HELP INSPECTING A HOUSE

There are a number of inspection services in your metropolitan area. Check the *Yellow Pages* of the Phone Directory under *Inspection Bureaus*, and look for *Home Inspection* services.

An inspection for a single-family two-story home can range from \$100 to \$125, depending on the size, age, and price of the house.

A duplex or two-family can range from \$125 upwards, again depending on size, age, price of the house.

You should receive a complete *written report* on the house, including the present condition of the structure and all systems (plumbing, wiring, heating, etc.), and the life expectancy of the different items of the house (for example, the roof and hot water heater).

APPRAISALS

If you have serious questions about the *sales price* of a house you are interested in, check the *Yellow Pages* under *Real Estate Appraisers*. An appraiser will not necessarily tell you what is "wrong" with a house, but will give you a professional estimate of the *real value* of the house. Call first to find out what the *charge* will be for an appraisal. Remember, if you are applying for an FHA or VA Loan, an appraisal will be made by FHA or VA.

WORKSHEETS FOR ESTIMATING YOUR HOUSING COSTS

This worksheet will help you to figure out your monthly costs for a particular house. Instructions for using the worksheet are given in the left-hand column, an example in the middle column, and space for your figures on the right-hand side.

It is very important that you complete this worksheet *BEFORE* you sign any purchase agreement to buy the house.

INSTRUCTIONS	AN EXAMPLE	YOUR HOUSE
1. ENTER <i>The asking price</i> for the house	\$ 30,000	\$ _____
2. ENTER <i>Your offer</i> for the house	\$ 27,000	\$ _____
3. ENTER <i>The cost of any major improvements</i> or repairs needed	\$ 0	\$ _____
4. ADD Items 2 and 3	\$ 27,000	\$ _____
5. ENTER <i>Your down payment</i>	\$ 1,400	\$ _____
6. SUBTRACT <i>Item 5 from Item 4</i> THIS AMOUNT IS THE MORTGAGE AMOUNT YOU WILL NEED	\$ 25,600	\$ _____
<u>PAYMENTS TO LENDER</u>	<u>Monthly</u> <u>Yearly</u>	<u>Monthly</u> <u>Yearly</u>
7. CALCULATE <i>The carrying charges</i> for principal and interest by using the interest rate/principal table in this Appendix. Get the interest rate when you call different lenders.	\$ 213 \$ 2,560	\$ _____ \$ _____
8. ADD <i>Real Estate taxes</i> . (Ask the broker and/or seller for last year's amount and check with the tax assessor for any potential changes.)	\$ 50 \$ 600	\$ _____ \$ _____
9. ADD <i>Homeowner's Insurance</i>	\$ 17 \$ 200	\$ _____ \$ _____
10. ADD <i>Any other escrow costs</i>	\$ 0 \$ 0	\$ _____ \$ _____
11. TOTAL PAYMENTS TO LENDER (Items 7 through 10)	\$ 280 \$ 3,360	\$ _____ \$ _____

OTHER MONTHLY HOUSING COSTS

INSTRUCTIONS	AN EXAMPLE		YOUR HOUSE	
	Monthly	Yearly	Monthly	Yearly
12. ADD <i>Estimates for utilities</i> (On an existing house, get last year's records and add at least 10%. For a new house, check with the builder.)				
Gas	\$ 20	\$ 240	\$ _____	\$ _____
Oil	\$ 0	\$ 0	\$ _____	\$ _____
Electricity	\$ 25	\$ 300	\$ _____	\$ _____
Water	\$ 1	\$ 12	\$ _____	\$ _____
Sewer	\$ 0	\$ 0	\$ _____	\$ _____
Garbage collection	\$ 0	\$ 0	\$ _____	\$ _____
TOTAL UTILITIES	\$ 46	\$ 552	\$ _____	\$ _____
13. ADD <i>Maintenance and Repairs</i> (at least 10% of mortgage payments--item 11)	\$ 28	\$ 336	\$ _____	\$ _____
14. SPECIAL FEES (such as homeowner's association dues)	\$ 6	\$ 72	\$ _____	\$ _____
15. Total Other Housing Costs (add Items 12 through 14)	\$ 80	\$ 960	\$ _____	\$ _____
16. ENTER Total Payments to Lender (Item 11)	\$ 280	\$ 3,360	\$ _____	\$ _____
17. CALCULATE <i>Total Housing Costs</i> (Add Items 15 & 16)	\$ 360	\$ 4,320	\$ _____	\$ _____
BUDGET CHECK: Can you afford this house?				
18. COMPARE: The total housing costs in Item 17 with your <i>net family income</i> calculated in Appendix 1. NET INCOME	\$ 1,000	\$ 12,000	\$ _____	\$ _____
% INCOME FOR HOUSING COSTS (divide Item 17 by Item 18)	36%		%	

CAN YOU AFFORD THIS HOUSE AND STILL HAVE ENOUGH LEFT OVER FOR THE OTHER THINGS YOUR FAMILY NEEDS?

WHERE TO GET HELP IN FINDING A HOUSE

Most people find out about houses for sale by:

- Talking with friends or relatives
- Talking with people at work
- Reading the real estate sections of the newspapers in the area or other real estate journals
- Visiting Real Estate Brokers
- Driving through the neighborhoods they are interested in

If you need additional assistance in finding a house, contact your local *Board of Realtors* to get the names of reliable licensed brokers handling sales in the neighborhoods where you are looking; or check the *Yellow Pages* under *Real Estate Brokers*.

ANTI-DISCRIMINATION SERVICES

If you feel you have been discriminated against in your housing search (refer to pages 25 and 26 in text), you can and should file a complaint with HUD or your local legal service agency. Read the complaint form on the next page so that you will have all the important facts when you go to file a complaint.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING DISCRIMINATION COMPLAINT

FOR HUD USE ONLY

INSTRUCTIONS: Read this form and the instructions on reverse carefully before completing. All questions should be answered. However, if you do not know the answer or if a question is not applicable, leave the question unanswered and fill out as much of the form as you can. Your complaint should be signed and dated and, if possible, notarized. Where more than one individual or organization is filing the same complaint, each additional individual or organization should complete boxes 1 and 7 of a separate complaint form and attach it to the original form, but the other boxes need not be completed if the information is the same as in the original. Complaints may be (1) mailed to the Regional Office covering the State where the complaint arose (see list at end of form), or to an Area Office, or to Fair Housing, HUD, Washington, D.C. 20410, or (2) filed or presented in person at HUD in Washington, D.C. or at any HUD Regional or Area Office.

Number _____

Date _____

Filing Date _____

STATE OR LOCAL

FEDERAL COVERAGE

PRIOR ACTION

PRELIMINARY DETERMINATION

PLEASE TYPE OR PRINT

1. Name of aggrieved person or organization (Last Name - First Name - Middle Initial) (Mr. Mrs. Miss)

Telephone Number _____

Street Address, City, County, State and ZIP Code _____

2. Whom is this complaint against?

Name (Last Name - First Name - Middle Initial) _____

Street Address, City, County, State and ZIP Code _____

Telephone Number _____

Is the party named above a: (Check applicable box or boxes)

Builder Owner Broker Salesman Supt. or Manager Bank or Other Lender Other

If you have named an individual above and you know that he was acting for a company in this case, check this box and write the name and address (Street, City, County, State and ZIP Code) of the company, in this space.

Name and Identify Others (if any) you believe violated the law in this case _____

3. What did the person you are complaining against do? (Check applicable box or boxes)

- Refuse to rent, sell, or deal with you
- Discriminate in the conditions or terms of sale, rental, occupancy, or in services or facilities
- Advertise in a discriminatory way
- Falsely deny housing was available
- Engage in blackbusting
- Discriminate in financing
- Discriminate in broker's services
- Other (Explain in box 6 below)

When did act or acts occur? (Be sure to include most recent date, if several dates are involved)

4. Do you believe there was discrimination because of?

(Check applicable box and write your race, color, religion, sex or national origin on the line below the box checked)

Race or Color

Religion

Sex

National Origin

5. What kind of house or property was involved?

- Single family house
- A house or building for 2, 3, or 4 families
- A building for 5 families or more
- Other, including vacant land held for residential use (Explain in box 6 below)

Did the owner live there?

Yes No Unknown

Is the house or property (Check applicable box)

Being sold Being rented

What is the address of the house or property?

Street _____

City _____

County _____ State _____

6. Summarize in your own words what happened. Use this space for a brief and concise statement of the facts. Additional details of what happened may be provided on an attachment.

NOTE: HUD will furnish copy of complaint to the person or organization against whom complaint is made.

7. I swear or affirm that I have read this complaint (including any attachments) and that it is true to the best of my knowledge, information, and belief.

(Date)

(Sign your name)

8.

NOTARIZATION:

Subscribed and sworn to before me this _____ day of _____ 197__.

(Name)

(Title)

IF IT IS DIFFICULT FOR YOU TO GET A NOTARY PUBLIC TO SIGN THIS, SIGN YOUR OWN NAME AND MAIL IT WITHOUT NOTARIZATION. HUD WILL HELP YOU GET YOUR COMPLAINT SWORN TO.

HUD-903 (2-72) PREVIOUS EDITION IS OBSOLETE

HOUSING DISCRIMINATION COMPLAINT

WHAT DOES THE FEDERAL FAIR HOUSING LAW PROVIDE?

Title VIII (*Fair Housing*) of the Civil Rights Act of 1968 declares that it is national policy to provide fair housing throughout the United States and prohibits seven specific kinds of discriminatory acts regarding housing if the discrimination is based on race, color, religion, sex or national origin.

1. Refusal to sell or rent or otherwise deal with a person.
2. Discriminating in the conditions or terms of sale, rental, or occupancy.
3. Falsely denying housing is available.
4. Discriminatory advertising.
5. Blockbusting—causing someone to sell or rent by telling him that members of a minority group are moving into the area.
6. Discrimination in financing housing by a bank, savings and loan association, or other business.
7. Denial of membership or participation in brokerage, multiple listing, or other real estate services.

WHAT DOES THE LAW EXEMPT?

The first three acts listed above do not apply (1) to any single-family house where the owner in certain circumstances does not seek to rent or sell it through the use of a broker or through discriminatory advertising, nor (2) to units in houses for two to four families if the owner lives in one of the units.

NOTE: Coercion, threats, or other interference with an individual's rights under the law, including the right to file a complaint, are also prohibited.

WHAT CAN YOU DO ABOUT VIOLATIONS OF THE LAW?

Remember, Title VIII applies to discrimination based on race, color, religion, sex or national origin. If you believe you have been or are about to be, discriminated against or otherwise harmed by the kinds of discriminatory acts which are prohibited by the law, you have a right, within 180 days after the discrimination occurred to:

1. Complain to the Secretary by filing this form by mail or in person. HUD will investigate and if it finds the complaint is covered by the law and is justified, it will try to end the discrimination by conciliation. In cases where State or local laws give the same rights as Title VIII, HUD must first ask the State or local agency to try to resolve the problem.
2. Go directly to Court even if you have not filed a complaint with the Secretary. The Court may sometimes be able to give quicker, more effective, relief than conciliation can provide and may also, in certain cases, appoint an attorney for you (*without cost*).

You Should Also Report All Information about violations of Title VIII to HUD even though you don't intend to complain or go to court yourself.

ADDITIONAL DETAILS

If you wish to explain in detail in an attachment what happened, you should consider the following:

1. If you feel that others were treated differently from you, please explain the facts and circumstances.
2. If there were witnesses or others who know what happened, give their names, addresses, and telephone numbers.
3. If you have made this complaint to other government agencies or to the courts, state when and where and explain what happened.

You can obtain assistance (a) in learning about Title VIII, or (b) in filing a complaint at the HUD Regional Offices listed below:

U.S. Department of Housing and Urban Development
Assistant Secretary for Equal Opportunity
Washington, D.C. 20410

Region I - Boston (*Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont*)

HUD—Equal Opportunity
John F. Kennedy Federal Building
Boston, Massachusetts 02203

Region II - New York (*New Jersey, New York, Puerto Rico, Virgin Islands*)

HUD—Equal Opportunity
26 Federal Plaza
New York, New York 10007

Region III - Philadelphia (*Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia*)

HUD—Equal Opportunity
Curtis Building
6th and Walnut Streets
Philadelphia, Pennsylvania 19106

Region IV - Atlanta (*Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee*)

HUD—Equal Opportunity
1371 Peachtree Street, N.E.
Atlanta, Georgia 30309

Region V - Chicago (*Illinois, Indiana, Michigan, Ohio, Wisconsin*)

HUD—Equal Opportunity
300 South Wacker Drive
Chicago, Illinois 60606

Region VI - Dallas (*Arkansas, Louisiana, New Mexico, Oklahoma, Texas*)

HUD—Equal Opportunity
New Dallas Federal Building
1100 Commerce Street
Dallas, Texas 75202

Region VII - Kansas City (*Iowa, Kansas, Missouri, Nebraska*)

HUD—Equal Opportunity
Federal Office Building, Room 300
911 Walnut Street
Kansas City, Missouri 64106

Region VIII - (*Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming*)

HUD—Equal Opportunity
Federal Building
1961 Stout Street
Denver, Colorado 80202

Region IX - San Francisco (*Arizona, California, Hawaii, Nevada, Guam, American Samoa*)

HUD—Equal Opportunity
450 Golden Gate Avenue
Post Office Box 36003
San Francisco, California 94102

Region X - Seattle (*Alaska, Idaho, Oregon, Washington*)

HUD—Equal Opportunity
Arcade Plaza Building
1321 Second Avenue
Seattle, Washington 98101

HOW TO USE THE MONTHLY
MORTGAGE PAYMENT TABLE ON THE
BACK OF THIS PAGE

The table on the back of this page will help you to figure out how much you will have to pay to your lender each month for principal and interest payments on your mortgage loan.

To use the table you need to have three figures:

- The amount of the loan (mortgage amount) you need to buy the house.
- The rate of interest the lender is charging you.
- The term (number of years) over which the loan is to be paid off.

First, look down the left hand column for the mortgage amount closest to the size of loan you need.

Then go across the table to the column that corresponds to the interest rate and the number of years you have to pay off the loan.

That figure in the table, then, is what you will have to pay the lender each month for principal and interest on your loan. (Note: The figure does not include the additional costs you may have to pay each month for real estate taxes, hazard insurance, mortgage insurance, etc.)

As an example, a \$26,000 mortgage loan at 9 percent interest for 25 years will cost you \$218.20 each month in principal and interest payments to the lender.

MONTHLY PAYMENT REQUIRED TO PAY OFF A LOAN (PRINCIPAL & INTEREST)

INTEREST RATE	8.25%			8.50%			8.75%			9.00%			9.25%			9.50%		
	20 Years	25 Years	30 Years	20 Years	25 Years	30 Years	20 Years	25 Years	30 Years	20 Years	25 Years	30 Years	20 Years	25 Years	30 Years	20 Years	25 Years	30 Years
AMOUNT																		
11000	93.73	86.73	82.64	95.47	88.58	84.59	97.21	90.44	86.54	98.97	92.32	88.51	100.75	94.21	90.50	102.54	96.11	92.50
12000	102.25	94.62	90.16	104.14	96.63	92.27	106.05	98.66	94.41	107.97	100.71	96.56	109.91	102.77	98.73	111.86	104.85	100.91
13000	110.77	102.50	96.67	112.82	104.68	99.96	114.89	106.88	102.28	116.97	109.10	104.61	119.07	111.33	106.95	121.18	113.59	109.32
14000	119.29	110.39	105.18	121.50	112.74	107.65	123.72	115.11	110.14	125.97	117.49	112.65	128.23	119.90	115.98	130.50	122.32	117.72
15000	127.61	118.27	112.69	130.18	120.79	115.34	132.56	123.33	118.01	134.96	125.88	120.70	137.39	128.46	123.41	139.82	131.06	126.13
16000	136.34	126.16	120.21	138.86	128.84	123.03	141.40	131.55	125.88	143.96	134.28	128.74	146.54	137.03	131.63	149.15	139.80	134.54
17000	144.86	134.04	127.72	147.53	136.89	130.72	150.24	139.77	133.74	152.96	142.67	136.79	155.70	145.59	139.86	158.47	143.53	142.95
18000	153.83	141.93	130.23	156.21	144.95	138.41	159.07	147.99	141.61	161.96	151.06	144.84	164.86	154.15	148.09	167.79	157.27	151.36
19000	161.90	149.81	142.75	164.89	153.00	146.10	167.91	156.21	149.48	170.95	159.45	152.88	174.02	162.72	156.31	177.11	166.01	159.77
20000	170.42	157.70	150.26	173.57	161.05	153.79	176.75	164.43	157.35	179.95	167.84	160.93	183.18	171.28	164.54	186.43	174.74	168.18
21000	178.94	165.58	157.77	182.25	169.10	161.48	185.58	172.66	165.21	188.95	176.24	168.98	192.34	179.85	172.77	195.75	183.48	176.58
22000	167.46	173.46	169.28	190.93	177.15	169.17	194.42	180.88	173.08	197.94	184.63	177.02	201.50	188.41	180.99	205.07	192.22	184.99
23000	195.98	181.35	172.80	199.60	185.21	176.86	203.26	189.10	180.95	206.94	193.02	185.07	210.65	196.97	189.22	214.40	200.96	193.40
24000	204.50	189.23	180.31	208.28	193.26	184.54	212.10	197.32	188.81	215.94	201.41	193.11	219.81	205.54	197.45	223.72	209.69	201.81
25000	213.02	197.12	187.82	216.96	201.31	192.23	220.93	205.54	196.68	224.94	209.80	201.16	228.97	214.10	205.67	233.04	218.43	210.22
26000	221.54	205.00	195.33	225.64	209.36	199.92	229.77	213.76	204.55	233.93	218.20	209.02	238.13	222.66	213.90	242.36	227.17	218.63
27000	230.06	212.89	202.35	234.32	217.42	207.61	238.61	221.41	212.41	242.93	226.59	217.25	247.29	231.23	222.13	251.68	235.90	227.04
28000	238.58	220.77	210.38	243.00	225.47	215.30	247.44	230.21	220.28	251.93	234.98	225.30	256.45	239.79	230.35	261.00	244.64	235.44
29000	247.10	228.66	217.57	251.67	233.52	222.99	256.28	238.43	228.15	260.93	243.37	233.35	265.61	248.36	238.58	270.32	253.38	243.85
30000	255.62	236.54	225.06	260.35	241.57	230.68	265.12	246.65	236.02	269.92	251.76	241.39	274.77	256.92	246.81	279.64	262.11	252.26
31000	264.15	244.42	232.90	269.03	249.63	238.37	273.96	254.87	243.88	278.92	260.16	249.44	283.92	265.48	255.03	288.97	270.85	260.67
32000	272.67	252.31	240.41	277.71	257.68	246.06	282.79	263.09	251.75	287.92	268.55	257.48	293.08	274.05	263.26	298.29	279.59	269.08
33000	281.19	260.19	247.92	286.39	265.73	253.75	291.63	271.31	259.62	296.91	276.94	265.53	302.24	282.61	271.49	307.61	288.32	277.49
34000	289.71	268.08	255.44	295.06	273.78	261.44	300.47	279.53	267.48	305.91	285.33	273.58	311.40	291.17	279.71	316.93	297.06	285.90
35000	298.23	275.96	262.99	303.74	281.83	269.12	309.30	287.76	275.35	314.91	293.72	281.62	320.56	299.74	287.94	326.25	305.80	294.30
36000	306.75	283.85	270.46	312.42	289.89	276.81	318.14	295.98	283.22	323.91	302.12	289.67	329.72	308.30	296.17	335.57	314.54	302.71
37000	315.27	291.73	277.97	321.10	297.94	284.50	326.98	304.20	291.08	332.90	310.51	297.72	338.88	316.87	304.39	344.89	323.27	311.12
38000	323.79	299.62	285.49	329.78	305.99	292.19	335.82	312.42	298.95	341.90	318.90	305.76	348.03	325.43	312.62	354.21	332.01	319.53
39000	332.31	307.50	293.00	338.46	314.04	299.88	344.65	320.64	306.82	350.90	327.29	313.81	357.19	333.99	320.85	363.54	340.75	327.94
40000	340.83	315.39	300.51	347.13	322.10	307.57	353.49	328.86	314.69	359.90	335.68	321.85	366.35	342.56	329.08	372.86	349.48	336.35
41000	349.35	323.27	308.02	355.81	330.15	315.26	362.33	337.08	322.55	368.89	344.08	329.90	375.51	351.12	337.30	382.18	358.22	344.76
42000	357.87	331.15	315.54	364.49	338.20	322.95	371.16	345.31	330.42	377.89	352.47	337.95	384.67	359.69	345.53	391.50	366.96	353.16
43000	366.39	339.04	325.05	373.17	346.25	330.64	380.00	353.53	338.29	386.89	360.86	345.99	393.83	368.25	353.76	400.82	375.69	361.57
44000	374.91	346.92	330.56	381.85	354.30	338.33	388.84	361.75	346.15	395.88	369.25	354.04	402.99	376.81	361.98	410.14	384.43	369.98
45000	383.43	354.81	338.07	390.53	362.36	346.02	397.67	369.97	354.02	404.88	377.64	362.09	412.15	385.38	370.21	419.46	393.17	378.39

3 PURCHASE CONTRACTS

- **NEGOTIATING THE SALES PRICE**
- **CONSULTING A REAL ESTATE LAWYER**
- **SIGNING THE PURCHASE AGREEMENT**
- **MAKING A DEPOSIT ON THE HOUSE**
- **SIGNING OTHER AGREEMENTS**

QUESTIONS YOU SHOULD ASK YOURSELF BEFORE YOU SIGN AN AGREEMENT TO BUY A HOUSE

1. AM I READY TO BUY A HOUSE?

SEE SECTION 1 "TO BUY OR NOT TO BUY"

2. IS THIS THE RIGHT NEIGHBORHOOD FOR ME?

SEE SECTION 2 "CHOOSING THE RIGHT NEIGHBORHOOD"

3. IS THIS THE RIGHT HOUSE FOR ME?

SEE SECTION 2 "CHOOSING THE RIGHT HOUSE"

THIS SECTION INCLUDES:

- Negotiating the sales price
- Consulting a real estate lawyer
- Signing the Purchase Agreement
- Making a deposit on the house
- Signing other agreements

DON'T FORGET TO CHECK APPENDIX 3 FOR THE FOLLOWING:

- Standard Purchase Agreements
- Other forms you may have to sign

NEGOTIATING THE SALES PRICE

Once you have found a house you like (and think you can afford) you are ready to negotiate a price with the seller (or the broker).

BEFORE YOU MAKE AN OFFER . . .

1. KNOW THE HOUSE (AND ITS PROBLEMS)

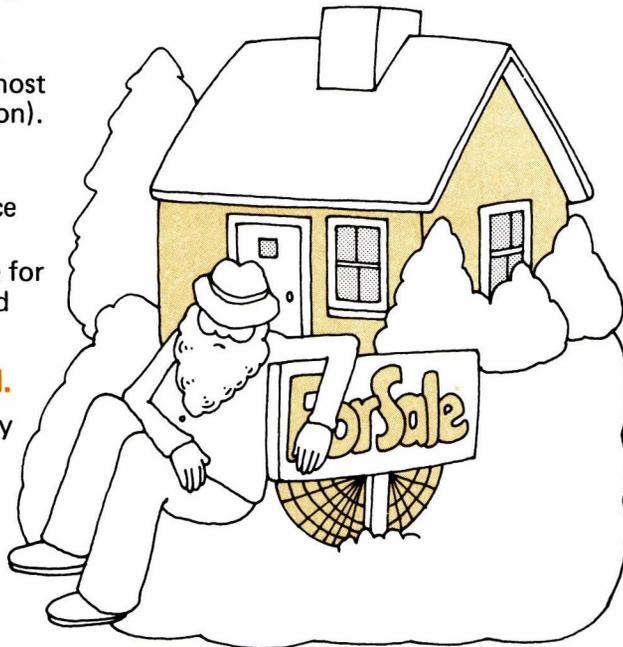
- Go over your *Housing Inspection Checklist*.
- You can use the “problems” of a house to *bargain for a lower price*.
- Find out what other homes in the block have sold for recently. (If yours is the most expensive, it may be harder to sell later on).

2. KNOW YOUR LIMITS

- Set a definite LIMIT for the highest price you are willing to pay.
- Your limit should reflect what you have for a downpayment *and* what you can spend each month for housing (pp. 11,12).

3. KNOW THE SELLER'S SITUATION.

- Is the owner eager to sell? (If so, he may accept a lower price.)
- How long has the house been for sale? (The longer it's been for sale, the more eager the owner may be to sell.)
- Are you competing with other buyers? (Are they “real,” or is the seller/broker making them up to get you to act in a hurry or make a higher offer?)



MAKING YOUR FIRST OFFER . . .

- Your first offer should be well below your limit. (If there is a broker involved, he or she should tell you if your offer is way out of line.)
- The seller should respond within a short period of time (two - three days).
- If the seller rejects your offer, he may make a “counter offer” — that is, indicate a price (less than the asking price) he would accept.
- Based on this new price range (between what you offer and what the seller will accept) **RE-FIGURE YOUR HOUSING COSTS. CAN YOU STILL AFFORD THE HOUSE?**

MAKING YOUR FINAL OFFER . . .

- Be sure you don't go beyond your limits. (If you do, you may run into trouble later on.)
- If the seller still refuses, **BE PATIENT**. He may come down in price later on, and there are other houses you will like and can afford.
- If the seller accepts your price, **GET IT INTO WRITING AS SOON AS POSSIBLE**.

SIGNING THE PURCHASE AGREEMENT

When you and the seller have agreed on the price, some form of Purchase Agreement will be drawn up.

WHAT IS A PURCHASE AGREEMENT?

Definition: A purchase agreement is a *legal contract* in which a seller agrees to sell, and a buyer agrees to buy a piece of property. The terms and conditions of the sale are spelled out in writing and the Agreement is signed by both buyer and seller.

NOTE: Purchase Agreements are also called "Purchase and Sales Agreements" (P&S), "Sales Agreements," "Contracts of Purchase," "Agreements of Sale," etc. depending on the state or locality. (SEE APPENDIX 3)

BEFORE YOU SIGN AN AGREEMENT TO BUY A HOUSE . . .

- **GET THE ADVICE OF A LAWYER**
Because a Purchase Agreement is a legal contract that *binds* you to all the terms, you should get the advice of a real estate lawyer. (He or she can also represent you at the closing.)
- **NEGOTIATE THE TERMS**
Especially the sales price. Also the amount of the deposit or down payment, the date of sale, what the seller has to do before you buy the house, etc. . . .
- **KNOW EXACTLY WHAT THE AGREEMENT SAYS**
Read the agreement carefully several times, and consult a real estate lawyer or a housing counseling agency.
- **BE REALISTIC**
Don't agree to terms you can't live with (such as a large down payment or buying the seller's refrigerator).
- **BE THOROUGH**
Make sure everything you want is in the Agreement. You may not get a chance to correct your mistakes.
- **TAKE YOUR TIME**
Don't give into pressure to sign "right now" — especially if you're not sure about the house, or the terms of the agreement.



REMEMBER: THE WORDING AND TERMS OF A "STANDARD PURCHASE AGREEMENT" CAN BE CHANGED AS LONG AS BOTH YOU AND THE SELLER CONSENT TO THE CHANGES.

KEY PROVISIONS OF A PURCHASE AGREEMENT

A PURCHASE AGREEMENT PROTECTS YOU BECAUSE . . .

- You know the price of the house (the seller can't change his mind).
- You know what's included in the sale (house, land, fixtures, appliances, etc.)
- You know the date of the sale ("closing") and when you can move into the house.
- You know under what conditions you can get out of the agreement and get your deposit back (for example, not getting the mortgage terms you need).

BUT YOU HAVE TO KNOW WHAT THE AGREEMENT SAYS . . .

LOOK FOR THESE TERMS AND CONDITIONS IN YOUR PURCHASE AGREEMENT

- THE NAME(S) AND ADDRESS OF THE SELLER(S) (OWNER) AND BUYER (YOU).
- DESCRIPTION OF THE PROPERTY (Does it match what you think you're buying?)
- THE PRICE OF THE HOUSE (Do you agree?)
- AMOUNT OF MORTGAGE YOU NEED TO BUY THE HOUSE (interest rate, number of years to repay).
- THE AMOUNT OF YOUR DEPOSIT ("Earnest Money") AND WHO HOLDS IT UNTIL THE CLOSING.
- THE DATE AND TIME OF THE CLOSING (when the seller passes title to you and you become the owner).
- WHERE THE CLOSING WILL TAKE PLACE.
- PROVISION TO EXTEND THE CLOSING DATE (if you or the seller can't meet the terms of the Agreement).
- PROVISION FOR DISPOSITION OF DEPOSIT IF SOMETHING GOES WRONG.
- AMOUNT OF THE BROKER'S FEE (IF ANY). (Seller has to pay this).
- ADJUSTMENTS TO BE MADE AT THE CLOSING (for example, taxes already paid by the seller, fuel adjustments, "points" paid by seller or buyer).
- DETAILS OF WHAT IS INCLUDED IN THE SALE (carpets, appliances, curtains, light fixtures, etc.)
- SPECIAL CONDITIONS OF THE SALE (for example, seller will repair broken windows, pay for a termite inspection and treatment, etc.)
- INSPECTIONS YOU CAN MAKE BEFORE CLOSING (and, if reports aren't favorable, will allow you to cancel the agreement).
- PROPERTY EASEMENTS. (The seller must tell you if anyone else has the right to use your land).

CHECK APPENDIX 3 FOR A SAMPLE PURCHASE AGREEMENT

REMEMBER: DON'T SIGN A PURCHASE AGREEMENT UNTIL YOU AND THE SELLER AGREE ON ALL THE TERMS.

MAKING A DEPOSIT ON THE HOUSE

WHEN YOU SIGN THE PURCHASE AGREEMENT, YOU WILL PROBABLY HAVE TO MAKE AN “EARNEST MONEY” DEPOSIT ON THE HOUSE.

WHAT IS “EARNEST MONEY” FOR?

- “Earnest money” is a cash deposit given to the broker (or the seller’s lawyer) that binds you and the seller to the terms of the Purchase Agreement.
- The deposit you make when you sign the Purchase Agreement will be applied to your down payment on the house when you become the owner at the closing.

AN EXAMPLE

- You have agreed to pay \$27,000 for the house.
- You pay \$500 now as earnest money to “bind” the Purchase Agreement.
- You expect to make a \$1400 down payment on the house.
- At the closing you *must pay the difference* between your deposit and the down payment (\$1400 less \$500 deposit = \$900).

HOW MUCH SHOULD THE DEPOSIT BE?

- AS LITTLE AS POSSIBLE. Hold on to as much of your down payment as possible until the sale is completed. (Deposits can be hard to get back if something goes wrong).
- The broker or the seller will usually tell you what they feel is a reasonable amount.
- Deposits can be as little as \$100 or as much as the full down payment.
- If your deposit is less than the down payment, YOU MUST PAY THE DIFFERENCE AT THE CLOSING.

WHO SHOULD HOLD THE DEPOSIT?

- The broker, the seller’s lawyer or a “third party” who will be responsible for the money until the sale is completed.
- The seller should *not* hold the deposit.

CAN THE DEPOSIT BE RETURNED TO YOU IF SOMETHING GOES WRONG?

- Yes, if the seller does not live up to the terms of the agreement, or if you cannot get the financing you need, or if the inspections uncover major defects (you and your lawyer should be sure this is spelled out in the Purchase Agreement).
- But if *you* back out of the sale for reasons not provided for in the agreement, then the seller may be allowed to keep your deposit.

REMEMBER: NEVER MAKE A DEPOSIT WITHOUT A WRITTEN AGREEMENT THAT SPELLS OUT THE TERMS OF THE SALE. NEVER SIGN A PURCHASE AGREEMENT WITHOUT CONSULTING A REAL ESTATE LAWYER.

SIGNING OTHER AGREEMENTS

A PURCHASE AGREEMENT IS THE BASIC CONTRACT THAT BINDS YOU AND THE SELLER TO THE TERMS OF THE SALE. HOWEVER . . .

THERE ARE OTHER WRITTEN AGREEMENTS YOU MAY RUN INTO . . .

1. OFFER TO PURCHASE (BINDER)

- This is often a *first step* before signing a Purchase Agreement.
- You make a formal, written offer to buy the house at a given price (and you sign and date the offer).
- You make a small “earnest money” deposit to show the seller you are serious about the deal.
- If the seller accepts the offer, he *also* signs it and agrees to the sale. *However, the offer is valid only if you and the seller sign a Purchase Agreement within a certain number of days.*
- THE ADVANTAGE OF THE OFFER TO YOU is that the price of the house is *fixed* and you can negotiate the other terms of the sale in the Purchase Agreement. (Also, you need less money for the deposit).
- THE DISADVANTAGE is that it is another step that takes time.

2. OPTION TO BUY

- An “option to buy” gives you an exclusive *right* to buy a piece of property for a certain price within a certain time period (for example, 6 months).
- You pay the owner of the property a small percentage of the sales price (3% - 10%) for the right to buy the property.
- If you buy the property within the time allowed, the price you paid for the option is subtracted from the down payment.
- If you *don't* buy the property within the time allowed, you lose your option to buy (*and the money you paid for it*).

3. RIGHT OF FIRST REFUSAL

- If the owner is not sure he wants to sell, he may give you a “Right of First Refusal.”
- This means that if he *does* decide to sell and gets a serious offer from someone else, you have the right to buy the property at that same price.

4. PERSONAL PROPERTY AGREEMENTS

- It's often better for you to write up a *separate agreement* about any of the seller's personal property you want to buy (such as a washing machine, air conditioner, furniture, etc.), rather than include them in the Purchase Agreement.
- You *don't want to lose the house because of a disagreement or misunderstanding about furniture!*

APPENDIX 3

- **SAMPLE PURCHASE AGREEMENTS**
- **OTHER FORMS YOU MAY HAVE TO SIGN**
 - **OFFERS TO PURCHASE**
 - **HUD LEASE WITH OPTION TO PURCHASE**
- **PURCHASE AGREEMENT CHECKLIST**

THERE ARE MANY VARIATIONS OF PURCHASE AGREEMENTS
ACCORDING TO YOUR STATE AND LOCALITY.

BEFORE YOU SIGN ANY PURCHASE AGREEMENT IT'S A
GOOD IDEA TO GET A REAL ESTATE ATTORNEY WHO CAN
EXPLAIN ALL THE LEGAL TERMS OF THE AGREEMENT
AND MAKE SURE YOUR INTERESTS ARE PROTECTED.

REMEMBER, BEFORE YOU SIGN ANY AGREEMENT, YOU SHOULD

- MAKE SURE *ALL* OF THE TERMS OF THE AGREEMENT
ARE FILLED OUT PROPERLY;
- *ADD* TO THE STANDARD AGREEMENT ANY SPECIAL
CONDITIONS YOU WANT TO HAVE INCLUDED;
- *DELETE* (OR CROSS OUT) ANY TERMS OR CONDITIONS
IN THE STANDARD AGREEMENT THAT DON'T APPLY
TO YOU OR THAT YOU DO NOT WANT TO HAVE INCLUDED.

YOU CAN CHANGE ANYTHING IN THE STANDARD PURCHASE
AGREEMENT AS LONG AS YOU AND THE SELLER AGREE.

AGREEMENT FOR THE SALE OF REAL ESTATE

SAMPLE PURCHASE AGREEMENT

There are six copies of this agreement of sale.
1 White Seller
2 Yellow Agent
3 Pink Buyer
4 Blue Mortgagee
5 Gold
6 Green

PRINCIPALS

PROPERTY

TERMS

MORTGAGE CONTINGENCY

SPECIAL CLAUSES

NOTICE PHILA.

This Agreement, made this _____ day of _____ A.D. 19 _____
1. Between _____ Agent for Seller and _____ hereinafter called Seller, and _____ hereinafter called Buyer.

2. WITNESSETH: Seller hereby agrees to sell and convey to Buyer, who hereby agrees to purchase: ALL THAT CERTAIN lot or piece of ground with buildings and improvements thereon erected, if any, known as: _____

_____ in the _____ of _____, County of _____ State of Penna.

3. (a) for the sum of _____ DOLLARS

which shall be paid to the Seller by the Buyer as follows:

(b) Cash or check at signing this agreement: _____ \$

(c) Cash or check to be paid on or before: _____ 19 _____ \$

(d) _____ \$

(e) Cash or certified check at time of settlement: _____ \$

TOTAL \$ _____

(f) Written approval of Seller to be on or before: _____ 19 _____

(g) Settlement to be made on or before: _____ 19 _____

(h) Conveyance from Seller will be by fee simple deed of special warranty.

(i) Payment of Transfer taxes will be divided equally between Buyer and Seller.

(j) Taxes as levied and assessed, rents, interest on mortgage assumptions, water rents and/or sewer rents if any will be apportioned pro-rata at time of settlement, along with any other lienable municipal services.

4. This sale and settlement hereunder are NOT conditioned or contingent in any manner upon the sale or settlement of any other real estate NOR subject to any mortgaging or financing except as hereinafter provided.

(a) Term and amount of mortgage required by Buyer: _____ years, \$ _____

(b) Interest and type mortgage required by Buyer: _____ %, type: _____

(c) Commitment date for approval of the mortgage: _____ 19 _____

(d) Maximum mortgage placement fee, if any, to be paid by Seller: _____ \$

(e) Minimum amount of appraisal required if FHA financing: _____ \$

(f) Mortgage application to be made through the office of: _____

_____, and if said mortgage cannot be obtained, this agreement shall be null and void and all deposit monies returned to the Buyer on or before date for settlement as provided herein subject however to the provisions in paragraph #4 (g).

(g) Buyer shall make a completed application in writing to a responsible mortgage lending institution for the aforementioned mortgage loan through the office of the agent named in paragraph #4 (f), (who for the purpose of negotiating for the said mortgage loan shall be considered the agent of the Buyer) within ten (10) days from the date of Seller's approval hereof. Should the Buyer fail to make such completed application within the specified ten (10) days, it shall be the option of the Seller, within fifteen (15) days from the approval date hereof, to declare this agreement of sale null and void at which time all deposit monies paid on account will be forfeited to the Seller as liquidated damages and all copies of this agreement will be returned to the Seller's agent for cancellation. In the absence of the aforementioned notice to cancel, the condition and contingency herein provided for shall no longer prevail, and this agreement shall remain effective according to its terms in the same manner as if the condition and contingency were not a part hereof. Buyer must furnish to the Seller's agent a written commitment for said mortgage loan on or before the date as specified in paragraph #4 (c). If the said commitment is not furnished with the terms as specified herein, or other terms accepted in writing by the Buyer, on or before the specified date in paragraph #4 (c), Seller shall have the option at that date or at any other time thereafter during the term of this agreement until, but not beyond, the date of receipt of the written commitment by the Seller's agent, to declare this agreement null and void by notice in writing to the Buyer of his decision to cancel, at which time all copies hereof shall be returned to Seller's agent for cancellation, all monies paid hereunder by Buyer on account of the purchase price shall be returned to him and all rights and liabilities of the parties hereto shall thereupon cease and determine anything contained herein to the contrary notwithstanding.

(h) If the mortgage above referred to is an FHA or VA type mortgage, it is expressly agreed that, notwithstanding any other provisions of this contract, the Buyer shall not be obligated to complete the purchase of the property described herein or to incur any penalty by forfeiture of earnest money deposits or otherwise (1) in the case of an FHA loan, unless the Seller has delivered to the Buyer a written statement issued by the Federal Housing Commissioner setting forth the appraised value of the property for mortgage insurance purposes of not less than the amount specified in paragraph #4 (e), which statement the Seller hereby agrees to deliver to the Buyer promptly after such statement is made available to the Seller, or (2) in the case of a VA loan, if the contract purchase price or cost exceeds the reasonable value of the property established by the Veterans Administration, provided the Buyer, within five days of his receipt of notice of the FHA appraised value or the VA reasonable value, delivers written notice to the herein named agent, of the Buyer's intention to terminate the contract. The Buyer shall however, have the privilege and option of proceeding with the consummation of this contract without regard to the amount of the FHA appraised valuation or the VA reasonable value.

(i) Seller hereby agrees to permit inspections by authorized appraisers, reputable certifiers and/or Buyer as may be required by the Federal Housing Administration, Veterans Administration or lending institutions.

Seller hereby certifies that the herein described premises is zoned _____ On or before the settlement date herein, Seller will furnish to the Buyer a "Certification Statement" from the Department of Licenses and Inspections for the City of Philadelphia, as evidence that there are no uncorrected violations of the type identified in paragraph #5 herein, existing prior to the approval date of this agreement.

ASSESSMENTS

5. Seller covenants and represents as of the approval date of this agreement of sale, that no assessments for public improvements have been made against the premises which remain unpaid and that no notice by any governmental or other public authority has been served upon the Seller or anyone on the Seller's behalf, including notices relating to violations of housing, building, safety or fire ordinances which remain uncorrected unless otherwise specified herein. Buyer will be responsible for any notices served upon the Seller after the approval date of this agreement and for the payment of any assessments and charges hereafter made for any public improvements, if work in connection therewith is hereafter begun in or about said premises and adjacent thereto. Seller will be responsible for any such improvements, assessments or notices received prior to the date of this agreement, unless the improvements consist of sewer or water lines not in use on or prior to the date of approval hereof.

TITLE

6. The premises are to be conveyed free and clear of all liens, encumbrances, and easements, EXCEPTING HOWEVER, the following: Mortgage encumbrances, as aforementioned, of any existing building restrictions, ordinances, easements of right, privileges or rights of public service companies, if any; agreements or like matters of record or easements or restrictions visible upon the ground, otherwise the title to the above described real estate shall be good and marketable or such as will be insured by a licensed Title Insurance Company at the regular rates.

FIXTURES, TREES SHRUBBERY, ETC.

In the event the Seller is unable to give a good and marketable title or such as will be insured by a licensed Title Company, subject to aforesaid, Buyer shall have the option of taking such title as the Seller can give without abatement of price or of being repaid all monies paid by Buyer to the Seller on account of the purchase price together with costs for searching title as he may have incurred; and in the latter event there shall be no further liability or obligation on either of the parties hereto and this agreement shall become null and void and all copies will be returned to Seller's agent for cancellation.

Any survey or surveys which may be required by the Title Insurance Company or the abstracting attorney, for the preparation of an adequate legal description of the premises (or the correction thereof), shall be secured and paid for by the Seller. However, any survey or surveys desired by the Buyer or required by his mortgagee shall be secured and paid for by the Buyer.

The premium for title insurance and/or mechanics lien insurance will be paid for by the Buyer if desired or required by the Buyer or any mortgagee, together with appraisal fees if any, and Buyer's normal settlement costs and accruals.

PAYMENT OF DEPOSIT

7. All plumbing, heating and lighting fixtures, and systems appurtenant thereto and forming a part thereof, and other permanent fixtures, as well as all ranges, laundry tubs, T.V. antennas, masts and rotor systems, together with screen, storm sash and/or doors, shades, awnings, venetian blinds, couplings for automatic washers and dryers, etc., radiator covers, cornices, kitchen cabinets, drapery rods, drapery rod hardware, curtain rods, curtain rod hardware, all trees, shrubbery, plantings now in or on property, and remaining heating and cooking fuels stored on premises, if any, unless specifically excepted in this agreement, are included in the sale and purchase price. None of the above mentioned items shall be removed by Seller from premises after date of this agreement. Seller hereby warrants that he will deliver good title to all the articles described in this paragraph, and any other fixtures or items of personalty specifically scheduled and to be included in this sale.

POSSESSION AND TENDER

8. Deposits or hand monies shall be paid to agent for Seller, who shall retain the same until consummation or termination of this agreement in conformity with the Real Estate Brokers License Act of 1929, as amended, and Regulations thereto or hereafter published by the State Real Estate Commission.

9. Possession is to be delivered by deed, keys and physical possession to a vacant building (if any) at day and time of settlement, or by deed and assignment of existing lease(s) at time of settlement if premises is tenant occupied at the signing of this agreement, unless otherwise specified herein. Buyer will acknowledge existing lease(s) by initialing said lease(s) at time of signing this agreement of sale if tenant occupied.

RISK OF LOSS

Seller will not enter into any new leases, written extension of existing leases, if any, or additional leases for the premises without expressed written consent of the Buyer.

Formal tender of an executed deed and purchase money is hereby waived. 10. Any loss or damage to the property caused by fire, or loss commonly covered by the extended coverage endorsements of reputable insurance companies, between the date of this Agreement and the time of settlement, shall not, in any way, void or impair any of the conditions or obligations hereof unless the required mortgaging or financing, as specified herein, cannot be obtained because of such loss or damage. Seller shall maintain existing fire and extended coverage or homeowners' type insurance policies, if any, until the time of final settlement. Buyer is hereby notified that it is his responsibility to insure his interest in the said premises at his own cost and expense. Seller shall maintain the property (including all items mentioned in paragraph # 7 herein) and any personal property specifically scheduled herein in its present condition, normal wear and tear excepted.

DEFAULT

11. The said time for settlement and all other times referred to for the performance of any of the obligations of this agreement are hereby agreed to be of the essence of this agreement. Should the Buyer fail to make any additional payments as specified in paragraph #3, or violate or fail to fulfill and perform any of the terms or conditions of this agreement, then and in that case all deposits and other sums paid by the Buyer on account of the purchase price, whether required by this agreement or not, shall be retained by the Seller, either on account of the purchase price, or as liquidated damages for such breach, as the Seller may elect, and in the latter event, the Seller shall be released from all liability or obligation and this agreement shall become null and void and all copies will be returned to Seller's agent for cancellation.

REPRESENTATIONS

12. It is understood that Buyer has inspected the property or hereby waives the right to do so and he has agreed to purchase it as a result of such inspection and not because of or in reliance upon any representation made by the Seller or any officer, partner or employee of Seller, or by the agent of the Seller or any of the latter's salesmen and employees, or by a cooperating broker, if any, or any of his salesmen and employees and that he has agreed to purchase it in its present condition unless otherwise specified herein. It is further understood that this agreement contains the whole agreement between the Seller and the Buyer and there are no other terms, obligations, covenants, representations, statements or conditions, oral or otherwise of any kind whatsoever concerning this sale. Furthermore, this agreement shall not be altered, amended, changed or modified except in writing executed by the parties hereto.

RECORDING

13. This agreement shall not be recorded in the Office of the Recording of Deeds or in any other office or place of public record and if Buyer shall record this agreement or cause or permit the same to be recorded, Seller may, at its option, elect to treat such act as a breach of this agreement.

ASSIGNMENT

14. This agreement shall be binding upon the respective heirs, executors, administrators, successors and, to the extent assignable, on the assigns of the parties hereto, it being expressly understood, however, that the Buyer shall not transfer or assign this agreement without the written consent of the Seller being first had and obtained.

AGENT

15. It is expressly understood and agreed between the parties hereto that the herein named agent, his salesmen and employees or any officer or partner of agent and any cooperating broker and his salesmen and employees and any officer or partner of the cooperating broker are acting as agent only and will in no case whatsoever be held liable either jointly or severally to either party for the performance of any term or covenant of this agreement or for damages for the non-performance thereof.

DESCRIPTIVE HEADING

16. The descriptive headings used herein are for convenience only and they are not intended to indicate all of the matter in the sections which follow them. Accordingly, they shall have no effect whatsoever in determining the rights or obligations of the parties.

APPROVAL BY BUYER

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have hereunder set their hands and seals the day and year first above written.

WITNESS AS TO BUYER BUYER (SEAL)

WITNESS AS TO BUYER BUYER (SEAL)

Seller hereby approves the above contract this day of A.D. 19 and in consideration of the services rendered in procuring the Buyer, Seller agrees to pay to the named agent a commission of % of the herein specified sale price. In the event the Buyer defaults hereunder, any monies paid on account shall be equally divided between Seller and Agent, but in no event will the sum paid to the agent be in excess of the above specified commission.

APPROVAL BY SELLER

WITNESS AS TO SELLER SELLER (SEAL)

WITNESS AS TO SELLER SELLER (SEAL)

AGENT (SEAL) SELLER (SEAL)

TO: (Agent) Date 19

In conjunction with the purchase of the premises described in the agreement of sale attached hereto, I/We hereby authorize your firm to perform the services as indicated below by my/our initials.

- A. Place Title insurance in any reputable title insurance company (INITIALS)
B. Place fire insurance in the amount of \$ (INITIALS)
C. (INITIALS)

PROPOSAL TO PURCHASE MEMORANDUM

hereinafter referred to as Buyer, hereby authorizes to present the following proposal to purchase premises situate:

for the sum of \$.....

SUMS PAID HEREWITH \$.....

BUYER AGREES TO MAKE AN ADDITIONAL PAYMENT OF \$.....
at time of signing of Agreement of Sale and Buyer and Seller agree to execute Agreement of Sale on or before

BUYER HEREBY AGREES TO PAY \$.....
in cash or certified check at time of final settlement.

THE AGREEMENT of SALE shall provide the same is subject to Buyer obtaining a
 VA, FHA, Conventional mortgage maturing in years in the amount of \$.....

OR

that title to be conveyed shall be subject to existing mortgage with approximate balance of \$.....
maturing in approximately years at a rate of%.

FINAL SETTLEMENT is to be held on or before atM.,

at the office of
or at the office of any reputable Title Company, as shall be provided under said Agreement of Sale.

THIS PROPOSAL TO PURCHASE is made on the following Terms and Conditions:

THIS PROPOSAL TO PURCHASE INCLUDES all fixtures permanently attached to the building or buildings herein described; and appurtenances. The following items now in use or in storage at premises are also included in sale price; all screens and storm sash, screen and storm doors, shades and/or blinds, shutters, electrical fixtures, plumbing and heating equipment and kitchen range; together with all items of landscaping and planting. ALSO INCLUDED OR EXCLUDED ARE:

IT IS ALSO UNDERSTOOD AND AGREED under the Agreement of Sale that Sellers shall provide Buyers with a negative termite report, or be responsible for the arrest of such activity if prevailing.

THIS PROPOSAL TO PURCHASE has been received by as agents for the Seller and subject to the approval of the Seller. If this Proposal to Purchase is not approved by the Seller within days, then said payment herewith made will be returned to Buyer.

This instrument is only a stage in the transaction until an Agreement of Sale is executed between the parties.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals.

.....hereby
acknowledges receipt of the above-mentioned sums paid
herewith.

By:.....

CO-OPERATING BROKER:

.....

Phone:.....

Date

BUYER Signed (LS)

Signed (LS)

Address

PHONE

APPROVED:

Date

SELLER Signed (LS)

Signed (LS)

EXAMPLE OF HUD'S LEASE WITH OPTION TO PURCHASE

LEASE WITH OPTION TO PURCHASE (HUD)

HUD Case Numbers

THIS AGREEMENT, made in quadruplicate, this _____ day of _____, 19____ between the SECRETARY OF HOUSING AND URBAN DEVELOPMENT, acting under the provisions of the National Housing Act, as amended, as LANDLORD, and _____ as TENANT.

WITNESSETH, that the LANDLORD leases to the TENANT, and the TENANT hires from the LANDLORD, premises known as _____

for the term commencing on the _____ day of _____, 19____, and ending on the last calendar day _____, 19____, at the rental of _____ Dollars (\$ _____) per month. Said rent shall be payable monthly in advance on or before the first calendar day of each month during the term. In the event the TENANT shall, with the consent of the LANDLORD, hold over after the term of this lease, he shall become a hold-over TENANT of said premises for a further definite term of one month only at the same rental, payable in advance on the first day of said renewed term, which renewed term shall expire of its own limitation at midnight on the last day of said term. As long as said TENANT shall continue to occupy said premises, with the consent of the LANDLORD, he shall be a hold-over TENANT for a definite term of one month, said tenancy expiring without notice as aforesaid at the end of each renewed term. Said rent shall be payable at the office of _____

or to such other person and at such other place as the LANDLORD shall, from time to time, by written notice designate.

1. The TENANT for himself and his heirs, executors, administrators, and assigns, agrees as follows: (a) To pay the rent herein stated promptly when due, without any deductions whatsoever and without any obligation on the part of the LANDLORD to make any demand for the same. (b) To pay all charges for utilities, except as noted hereinafter, as they become due. (c) To use the premises for no unlawful purposes, but to occupy the same only as a dwelling. (d) Not to assign or sublet the premises without the LANDLORD's written consent. (e) Not to use said premises for any purposes deemed hazardous by insurance companies carrying homeowners insurance thereon. (f) That if any damage to the property shall be caused by his acts or neglect, the TENANT shall forthwith repair such damage at his own expense, to the Landlords satisfaction and should the TENANT fail or refuse to make such repairs within a reasonable time after the occurrence of such damage, the LANDLORD may at his option make such repairs and charge the cost thereof to the TENANT, and the TENANT shall thereupon reimburse the LANDLORD, for the total cost of all damages so caused. (g) To permit the LANDLORD, or his agents, to post "FOR RENT" and "FOR SALE" signs and to exhibit the premises to prospective purchasers or tenants at reasonable hours and to enter the premises for the purpose of making reasonable inspections and repairs.
2. The TENANT further agrees to properly maintain the premises in good condition at all times and to comply with all laws, health and policy requirements, with respect to said premises and appurtenances, and to save the LANDLORD harmless from all fines, penalties, and costs for violation or noncompliance with any of said laws, requirements, or regulations, and from all liability arising out of any such violation or noncompliance.
3. The TENANT by the execution of this agreement admits that the premises are in a tenantable condition and agrees that at the end of said term to deliver up and surrender said premises to the LANDLORD in as good condition as when received, reasonable wear and tear thereof, excepted.
4. It is further agreed that the LANDLORD will make all necessary repairs to said property except repairs necessary to be made caused by the acts or neglect of the TENANT. No alternation, addition, or improvements shall be made in or to the premises without the consent of the LANDLORD in writing, and all additions and improvements made by the TENANT shall belong to the LANDLORD.
5. The TENANT further agrees that if he should fail to pay the rent herein stipulated promptly when due or should fail to comply with any and all other provisions of this agreement, then in any of said cases, it shall be lawful for the LANDLORD, at his election of option, upon 30-days notice, to reenter and take possession, and thereupon this lease agreement shall absolutely terminate; however, nothing in this agreement shall constitute or be construed as a waiver or relinquishment of any right accruing to the LANDLORD under this agreement by virtue of law.
6. All goods and chattels placed or stored in or about the premises are at the risk of the TENANT.
7. The failure of the LANDLORD to insist upon the strict performance of the terms, covenants, agreements and conditions herein contained, or any of them, shall not constitute or be construed as a waiver or relinquishment of the LANDLORD's right thereafter to enforce any such term, covenant, agreement, or condition, but the same shall continue in full force and effect.

8. The TENANT warrants that no person or agency has been employed or retained to solicit or secure this lease upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial agencies maintained by the TENANT for the purpose of securing business. For breach or violation of this warranty, the LANDLORD shall have the right to annul this lease without liability or in its discretion to require the TENANT to pay, in addition to the rentals and other amounts payable hereunder, the full amount of such commission, percentage, brokerage, or contingent fee.

9. No Member of or Delegate to Congress, or Resident Commissioner, shall be admitted to any share or part of this contract or to any benefit that may arise therefrom, but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

10. It is further agreed that if TENANT purchases said premises in his own name, at or prior to the termination of this lease, LANDLORD will credit fifty percent (50%) of the rent paid, first, toward down payment, second, for payment of allowable prepaid items and, third, towards the purchase price of the premises in increments of \$50.00. This credit will be given only to the TENANT named herein and is not assignable. In the event TENANT holds over after the term of this lease, with the consent of the LANDLORD, the credit provided herein will be granted for such renewed term only with the specific written agreement of the LANDLORD.

11. It is further agreed that TENANT shall have an option to purchase said premises for a purchase price of _____ TENANT may exercise this option at any time during the term of this lease, but said option shall expire on the last day of _____, 19____. TENANT shall exercise this option only by execution and delivery of HUD Form-9548, Standard Retail Sales Contract by a selling broker, to the Director of the HUD (Area or Insuring) office who has executed this lease. Said Form HUD-9548 shall be modified and amended by deleting Item 11 on the reverse thereof. The term of this Lease with Option to Purchase Agreement may be extended at the discretion of the landlord.

11a. The exercise of this option by TENANT in no way obligates the LANDLORD to sell premises other than on an all cash basis. In the event a Form HUD-9548, Standard Retail Sales Contract, submitted by TENANT in the exercise of this option, is contingent upon the closing of a loan insured by HUD, LANDLORD in its sole discretion, may reject such contract where the credit history, financial condition, and income of TENANT do not meet HUD's minimum qualifications for such loan. TENANT, by signing this lease expressly acknowledges he understands that his credit history, financial condition, and income must be found acceptable to LANDLORD before he shall be eligible to purchase said premises through the use of a HUD insured loan.

11b. This option to purchase is revoked and rescinded in the event that:

- (1) TENANT fails to exercise said option within the time and in the manner required and the Landlord has not extended the lease option term.
- (2) TENANT fails to comply with any or all provisions in this agreement;
- (3) The premises are damaged by fire or other casualty and LANDLORD elects not to repair or rebuild, or are condemned by public authority for public use;
- (4) TENANT transfers or assigns this lease or this option without the written consent of LANDLORD; and
- (5) LANDLORD is unable to convey good marketable title to TENANT.

12. This lease is nontransferable and runs to the benefit of the signatory only with the exception that with the prior approval of the LANDLORD this lease may inure to the benefit of the spouse of the signatory. No other assignment of this lease is permissible without prior approval of the LANDLORD.

13. This lease contains the entire agreement between the parties hereto, and neither party is bound by representations or agreements of any kind except as herein:

WITNESS: _____ Secretary of Housing and Urban Development,
Landlord

_____ BY _____

_____ TENANT

It is understood and agreed that the broker whose name appears below, and none other, will be entitled to a commission of _____ % of the purchase price of the premises described above, if and when the TENANT purchases these premises under the provisions of paragraph 10 of the lease. This commission shall be considered earned at closing of said sale. A finder's fee shall be paid this broker upon acceptance and execution of this contract.

_____ BROKER

_____ DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

4

FINANCING THE HOUSE

- FINDING OUT YOUR CREDIT RATING
- SHOPPING FOR A MORTGAGE
- FHA MORTGAGE INSURANCE PROGRAMS
- APPRAISALS AND INSPECTIONS
- OTHER STEPS IN GETTING A MORTGAGE
- COSTS OF GETTING A MORTGAGE
- OTHER WAYS TO FINANCE THE HOUSE



WHEN YOU HAVE SIGNED A PURCHASE AGREEMENT ON THE HOUSE YOU WANT TO BUY, THERE ARE A NUMBER OF STEPS YOU NEED TO TAKE BEFORE YOU BECOME THE OWNER, SUCH AS . . .

- **FINDING OUT IF YOUR CREDIT IS GOOD**
- **APPLYING FOR A MORTGAGE LOAN**
- **APPLYING FOR MORTGAGE INSURANCE**
- **GETTING INSPECTIONS AND APPRAISALS ON THE HOUSE**
- **GETTING HOMEOWNER'S INSURANCE**
- **FINDING OUT YOUR CLOSING COSTS**

*MAKE SURE TO CHECK APPENDIX 4 FOR THE
FOLLOWING:*

- Examples of mortgage application forms
- FHA mortgage insurance information
- List of inspections to be made
- Where to go for help in getting a mortgage

THE MORTGAGE AND THE MORTGAGE APPLICATION PROCESS

VERY FEW PEOPLE BUY A HOUSE FOR CASH. MOST BUYERS HAVE TO GET A MORTGAGE LOAN IN ORDER TO PAY FOR THE HOUSE.

YOUR MORTGAGE PAYMENT MAY BE ONE OF THE LARGEST MONTHLY EXPENSES YOU WILL EVER HAVE. THEREFORE, IT'S IMPORTANT TO KNOW WHAT A MORTGAGE IS, WHERE TO GO TO GET A MORTGAGE LOAN AND HOW TO GET ONE WITH THE BEST TERMS.

WHAT IS A MORTGAGE?

- A mortgage is a special loan for buying a piece of property such as a house.
- The person *borrowing* the money is called the *MORTGAGOR*. The institution or individual *lending* the money is called the *MORTGAGEE*.
- A mortgage loan has a lower interest rate and is paid back over a longer period of time than most other types of loans.
- Lenders make mortgage loans because they make money from your interest payments.
- Lenders protect their mortgage loan by keeping the right to take over your home (*foreclosure*) and resell it if you don't make your monthly payment (*default*). Therefore . . .
- **IT IS VERY IMPORTANT THAT YOU MAKE YOUR MORTGAGE PAYMENTS ON TIME.**



THERE ARE MANY KINDS OF INSTITUTIONS AND INDIVIDUALS WHO MAKE MORTGAGE LOANS. THEY INCLUDE . . .

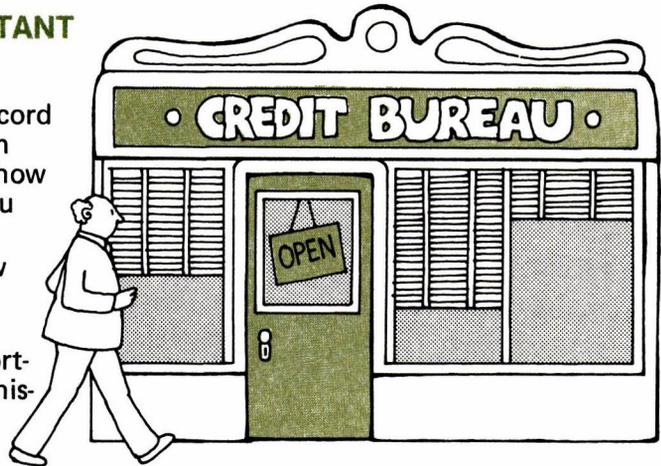
- Savings Banks
- Savings and Loan Associations
- Commercial Banks
- Mortgage Companies
- Insurance Companies
- Credit Unions
- Homesellers ("Purchase Money" mortgages)

IS YOUR CREDIT GOOD?

BEFORE YOU APPLY FOR A MORTGAGE ON THE HOUSE YOU HAVE CHOSEN, IT'S A GOOD IDEA TO KNOW AHEAD OF TIME IF YOU HAVE GOOD CREDIT

YOUR CREDIT HISTORY IS IMPORTANT

- Your credit history is an up-to-date record kept by a *credit bureau* showing whom you have owed money to in the past, how much you have owed, and whether you paid the money back on time.
- Your credit record may also show how much money you owe *now*, as well as your job history and your income.
- A lender may turn you down for a mortgage loan if you have a "poor" credit history, or too many other debts.



IF YOU'RE NOT SURE ABOUT YOUR CREDIT, FIND OUT

- YOU WANT TO KNOW AHEAD OF TIME WHAT THE LENDERS WILL FIND WHEN THEY GET YOUR CREDIT REPORT. IF YOU DON'T KNOW, CHECK WITH A CREDIT BUREAU.
- You have a legal right to review your credit history with any credit bureau.
- For a small fee, you can go over your credit record to see if the information is correct and up-to-date.
- If the information in your credit record is wrong, you can clear up any mistakes BEFORE YOU APPLY FOR A MORTGAGE LOAN. (This will save you time and trouble later on.)

WHAT ELSE THE LENDER WILL LOOK AT . . .

- In addition to your CREDIT HISTORY, the lender will check your employment record, your income, and your other assets (such as a car, savings account, stocks, etc.).
- They will also check your *current debts* (such as installment payments on your car or furniture) to help them decide whether you can make the mortgage payments as well.
- They will also check the house to see whether it is worth the price you're paying for it. (SEE "Inspections and Appraisals.")

SHOPPING FOR A MORTGAGE

MORTGAGE PAYMENTS ARE EXPENSIVE. THEREFORE IT PAYS TO SHOP AROUND FOR THE LOWEST INTEREST RATES AND FOR OTHER FAVORABLE TERMS.

COMPARE THE MORTGAGE TERMS OF DIFFERENT LENDERS. A SMALL DIFFERENCE CAN SAVE YOU MONEY.

A LOWER INTEREST RATE MEANS SMALLER MONTHLY PAYMENTS AND LOWER COSTS OVER THE LIFE OF THE MORTGAGE.

For example, a \$30,000 mortgage for 25 years . . .
– at 8 3/4% costs you: \$247 PER MONTH
– at 8 1/4% costs you: \$237 PER MONTH
THE LOWER INTEREST
RATE SAVES YOU \$ 10 PER MONTH

. . . THIS AMOUNTS TO A SAVINGS OF ABOUT \$3,000 OVER THE LIFE OF THE MORTGAGE.

A LONGER MORTGAGE TERM MEANS SMALLER MONTHLY PAYMENTS (. . . BUT MORE IN TOTAL INTEREST PAID TO THE LENDER).

For example, a \$30,000 mortgage at 8½% interest . . .
– for 20 years costs you \$260 PER MONTH
– for 30 years costs you \$237 PER MONTH
THE LONGER TERM
SAVES YOU \$ 23 PER MONTH
. . . BUT YOU WIND UP PAYING OVER \$20,000 MORE IN
INTEREST TO THE LENDER FOR THE ADDITIONAL
10 YEARS OF THE MORTGAGE TERM.

THE AMOUNT OF YOUR DOWN PAYMENT MAY DETERMINE THE INTEREST RATE YOU HAVE TO PAY ON THE LOAN.

- If you make a *larger down payment*, the lender may charge you a *lower interest rate*.
- If you make a *smaller down payment*, the lender may charge you a *higher interest rate*.

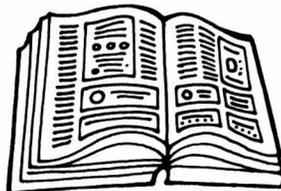
For FHA and VA loans the interest rate you pay is fixed by the government, and is adjusted from time to time to reflect changes in conventional interest rates.

CHECK WITH SEVERAL LENDERS TO FIND OUT WHAT TERMS THEY OFFER AND WHICH ONES ARE BEST FOR YOU.

CALLING MORTGAGE LENDERS

MAKE A LIST OF POSSIBLE MORTGAGE LENDERS IN YOUR AREA. YOU MAY BE ABLE TO GET NAMES OF MORTGAGEES FROM . . .

- Your real estate broker
- The Yellow Pages under "MORTGAGES"
- Local Homebuilders, Savings and Loan, or Mortgage Banking Associations



YOUR BROKER MAY SUGGEST A LENDER, BUT YOU SHOULD CHECK OTHERS TOO. WHEN CALLING, THE QUESTIONS YOU SHOULD ASK INCLUDE . . .

- Are you making mortgage loans now?
- At what interest rate?
- How much down payment do you require?
- What is the maximum mortgage term? (How many years to pay back the loan?)
- How much is the application fee?



WHEN YOU APPLY FOR A MORTGAGE LOAN, REMEMBER . . .

UNDER THE EQUAL CREDIT OPPORTUNITY ACT (ECOA):

ECOA

IT IS ILLEGAL FOR A LENDER TO DENY YOU A MORTGAGE LOAN BECAUSE OF YOUR RACE, COLOR, RELIGION, NATIONAL ORIGIN, SEX, MARITAL STATUS, AGE, OR INCOME FROM PUBLIC ASSISTANCE.

If you feel you have been denied a loan for *any of these reasons*, contact a lawyer or legal services office, a consumer protection agency, or the local office of the U.S. Department of Housing and Urban Development.

If you feel you have been denied a loan because of the *location of the property*, you should report this to the local Mortgage Bankers Association or Savings and Loan Association. The practice of *not* lending in certain neighborhoods is called "RED-LINING," and in *some* states it is ILLEGAL.

BEGINNING THE MORTGAGE APPLICATION PROCESS

ONCE YOU HAVE FOUND ONE OR MORE MORTGAGE LENDERS WHO SEEM TO OFFER THE BEST TERMS, MAKE AN APPOINTMENT TO VISIT THEM

YOUR "PURCHASE AGREEMENT" IS A GUIDE IN WHAT TO LOOK FOR . . .

- THE AMOUNT ("PRINCIPAL") OF THE MORTGAGE (depends on what you have available for the down payment)
- THE INTEREST RATE OF THE MORTGAGE (as low as possible)
- THE TERM (YEARS) OF THE MORTGAGE (a longer term means lower monthly costs)



OTHER DETAILS YOU'LL WANT TO FIND OUT ABOUT INCLUDE . . .

- What *one-time costs* you'll have to pay the lender for processing your application (such as legal fees, application fees, appraisal fees, etc.).
- *How many "points"* (if any) the seller will have to pay the lender. (This may affect the sales price of the house.)
- *What mortgage insurance* may be necessary in case your down payment is not enough to meet the lender's requirements for a conventional (uninsured) mortgage.
- *Whether you will have to pay a "penalty"* (\$) if you decide to pay off your entire mortgage, or to refinance your mortgage before the due date.
- *How long it will take* to process your mortgage application.
- *What inspections of the house* you or the lender will have to make before the mortgage is approved, and how much these cost.
- *Who will be "servicing" the loan* — that is, sending you monthly statements and keeping track of your payments. (It's better for you if you can deal directly with the local office of the bank or mortgage company, and can call them any time you have questions or run into problems.)
- *What "hazard insurance"* (such as, fire, storm damage, liability, etc.) the lender will require you to carry on the house, and how much coverage.

IN TURN, THE LENDER WILL ASK YOU TO FILL OUT A MORTGAGE APPLICATION FORM (SEE NEXT PAGE).

FILLING OUT THE MORTGAGE APPLICATION

THE LENDER **MAY** REQUEST FROM YOU THE FOLLOWING KINDS OF INFORMATION:

- INFORMATION ON THE HOUSE (price, location, etc.)
- PERSONAL DATA: Name(s) of Applicant(s), address, marital status, number of dependents, age, etc.
- EMPLOYMENT AND INCOME HISTORY
- AMOUNT OF YOUR ASSETS (car, saving account, etc.)
- DEBTS YOU HAVE NOW (credit cards, current loans and installment payments, etc.)
- CREDIT REFERENCES (banks, major credit cards, etc.)

CHECK APPENDIX 4 FOR SAMPLE MORTGAGE APPLICATION FORMS IN YOUR AREA

REMEMBER: UNDER THE EQUAL CREDIT OPPORTUNITY ACT, THE LENDER CANNOT DENY YOU A LOAN BECAUSE OF YOUR RACE, COLOR, RELIGION, NATIONAL ORIGIN, AGE, SEX, MARITAL STATUS, OR SOURCE OF INCOME FROM PUBLIC ASSISTANCE.

MORTGAGE INSURANCE

THE LENDER WILL ALSO WANT TO KNOW IF YOU WILL BE APPLYING FOR MORTGAGE INSURANCE. MORTGAGE INSURANCE ALLOWS YOU TO REDUCE THE LARGE DOWN PAYMENT NECESSARY FOR A "CONVENTIONAL" MORTGAGE LOAN.

THE MAIN SOURCES OF MORTGAGE INSURANCE ARE:

1. *Private mortgage insurance companies* such as the Mortgage Guarantee Insurance Corporation (MGIC). Private mortgage insurance may allow you to pay as little as 5-10% of the sales price for a down payment.
2. The *Federal Housing Administration* (FHA). See next page.
3. The *Farmers Home Administration* (FmHA). Special mortgage insurance may be available in rural areas or *some* suburbs. Down payments are very low, but there are other provisions. Check with the Department of Agriculture, Farmers Home Administration.

IF YOU ARE A *VETERAN*, YOU WILL ALSO WANT TO LOOK INTO THE *MORTGAGE GUARANTEE PROGRAM* OF THE VETERANS ADMINISTRATION. Down payments are very low, and VA guaranteed mortgages may have long terms (up to 30 years to repay the loan).

FHA MORTGAGE INSURANCE

A MAJOR SOURCE OF MORTGAGE INSURANCE IS THE FEDERAL HOUSING ADMINISTRATION (FHA). THE LARGER PROGRAMS (KNOWN BY SECTION OF THE NATIONAL HOUSING ACT) INCLUDE:

- SECTION 203(b) – Home mortgage insurance
- SECTION 221(d) (2) – Home mortgage insurance for low- and moderate income families
- SECTION 235(i) – Mortgage interest subsidy and insurance for low-income families
- SECTION 245 – Permits lower monthly payments during the first few years of the mortgage, and then higher payments later on.

SEE APPENDIX 4 FOR A DESCRIPTION OF THESE PROGRAMS

THE ADVANTAGES OF THESE FHA PROGRAMS INCLUDE:

- Low down payments (as little as 3-5% of the appraised value of the house)
- Longer mortgage terms (up to 35 years in some cases)
- A *possible subsidy* based on your income and family size (the subsidy may reduce the amount you pay in interest to the lender)
- Easier to get a mortgage in older neighborhoods



APPLYING FOR FHA INSURANCE . . .

- Applications for FHA mortgage insurance are normally handled by the lender when you apply for a mortgage loan.
- Your real estate broker or the builder (if you're buying a new home) can also help you get mortgage insurance.
- FHA mortgage insurance will require an appraisal of the home to determine how much the mortgage can be insured for (See p. 56).

BE AWARE THAT FHA MORTGAGE INSURANCE MAY REQUIRE DIFFERENT CLOSING COSTS FROM THOSE YOU MIGHT PAY WITH A CONVENTIONAL LOAN (SEE SECTION 5)

APPRAISALS AND INSPECTIONS

IT MAY TAKE SOME TIME TO GET YOUR MORTGAGE APPROVED (ESPECIALLY AN FHA MORTGAGE). THE REASON IS OFTEN BECAUSE OF THE MANY STEPS THAT THE LENDER, THE FHA (OR YOU) MAY HAVE TO TAKE. FOR EXAMPLE . . .

GETTING AN APPRAISAL ON THE HOUSE . . .

- The lender goes through the house and neighborhood the same way you did.
- The lender has to decide if the house is worth what you're paying for it.
- The lender wants to know that, if they have to take the property back (foreclosure), they can resell the house for at least as much money as you owe on it.

GETTING A CREDIT REPORT ON YOU . . .

- The lender wants to know that you are a "good credit risk."
- The lender wants to know that you will have enough income to make your monthly payments *and* take care of your house.

GETTING OTHER INSPECTIONS ON THE HOUSE

- These may include termite inspections, lead paint inspections (older homes), housing and/or building code inspections, and lists of repairs that may have to be made by the seller before the closing.
- You may have to have these inspections done yourself (rather than having the lender do them). **DON'T LET THE SELLER DO THEM UNLESS YOU GET A CERTIFICATE OR WARRANTY THAT THE INSPECTION WAS PERFORMED PROPERLY BY A QUALIFIED INSPECTION SERVICE.**

SEE APPENDIX 4 FOR A LIST OF INSPECTIONS

IF YOU GET MORTGAGE INSURANCE FROM THE FHA OR VA, THESE AGENCIES WILL ALSO REQUIRE APPRAISALS, CREDIT REPORTS, AND INSPECTIONS. SINCE THEY DO THEIR OWN, THIS MEANS . . .

- It takes *more time* to get your mortgage approved.
- You have to fill out more forms.
- You (or the seller) may have to pay more money at the closing (see Section 5, "Closing Costs").

REMEMBER, IF A LENDER WON'T GIVE YOU THE MORTGAGE LOAN YOU NEED (AS STATED IN THE PURCHASE AGREEMENT), YOU MAY BE ABLE TO RE-NEGOTIATE THE SALES PRICE WITH THE SELLER.

OTHER STEPS IN GETTING A MORTGAGE

IN ADDITION TO THOSE DESCRIBED ON THE PREVIOUS PAGE, THERE ARE SEVERAL OTHER STEPS IN GETTING A MORTGAGE THAT YOU SHOULD BE AWARE OF, SUCH AS . . .

TITLE SEARCH. You and the lender want to be certain that . . .

- The person selling you the house is in fact the owner of the property (according to a *recorded deed*);
- The legal description of the property is accurate and complete;
- There are no other persons who can claim an ownership interest in the property (other than the seller);
- There are no overdue taxes, “mechanic’s liens,” or other city, county, state or federal *liens* (claims) against the property;
- That any “*easements*” or rights that other people may have to use the property (such as a neighbor’s right to use your driveway to get to his house), will not lessen the value of your property or make it more difficult to sell.

In some states, such as Arizona, title search is done by a title insurance company.

THE LENDER’S LAWYER (AND YOUR LAWYER IF YOU USE ONE) SHOULD DO A THOROUGH TITLE SEARCH TO MAKE SURE YOUR (AND THE LENDER’S) INTERESTS ARE PROTECTED

HAZARD INSURANCE

- You want to be sure that you and your family are protected against a major loss on the house (fire, storm, etc.) **THE MOMENT YOU BECOME THE OWNER.**
- Most lenders require that you carry hazard insurance on the house **AT LEAST IN THE AMOUNT OF THE MORTGAGE.**
- With FHA and VA loans, your hazard insurance premiums must be paid each month to the lender.
- For your own protection you should seriously look into getting a comprehensive **HOME-OWNER’S INSURANCE POLICY** to cover the house *and its contents* in the event of a major loss.
- The Homeowner’s Policy should include not only insurance against fire, storm damage or wind damage, but also liability insurance (if someone sues for an injury on your property and wins) and insurance against theft and vandalism. **ASK THE LENDER OR SEVERAL INSURANCE COMPANIES TO SEE WHAT IT WILL COST.**
- If you’re buying a house in an area that could be subject to flooding, federal law requires that you get **FEDERAL FLOOD INSURANCE.** (It’s not expensive.)

MORTGAGE LIFE INSURANCE

- This insurance protects your family (and the lender) in case you die or become seriously disabled so you can’t work. In such an event the insurance company pays off the mortgage automatically.

THE COSTS OF GETTING A MORTGAGE

GETTING A MORTGAGE, ESPECIALLY WITH FHA INSURANCE, CAN TAKE A LOT OF TIME. IT CAN ALSO BE EXPENSIVE. FOR EXAMPLE, YOU WILL PROBABLY HAVE TO PAY ...

- MORTGAGE APPLICATION FEES
- LEGAL FEES (lender's lawyer for title search, preparing and recording mortgage documents, etc.)
- APPRAISAL AND INSPECTION FEES (by the lender and the FHA)
- LOAN ORIGATION FEE (a lender's one-time charge for giving you the mortgage)
- MORTGAGE AND HAZARD INSURANCE PREMIUMS

SEE SECTION 5 "CLOSING COSTS"

THE LENDER MUST SEND YOU AN ESTIMATE OF THESE COSTS WITHIN THREE DAYS OF YOUR MORTGAGE APPLICATION (SEE "RESPA," P. 14).

YOU SHOULD BE AWARE OF OTHER WAYS OF GETTING THE FINANCING YOU NEED TO BUY THE HOUSE:

PURCHASE MONEY MORTGAGES

- Here, the seller agrees to "take back" a mortgage from you, that is, he "loans" you the money to buy his house, and you pay him back over a period of time. (The seller is likely to charge you higher interest than you might get from a lender, and the life of such a mortgage is usually shorter).

ASSUMING AN EXISTING MORTGAGE

- This should always be considered because the interest rate may be less than the rate on a new mortgage offered by lenders.
- FHA and VA mortgages may always be assumed by a new owner. Assumptions are not possible with some conventional mortgages, however; and the lender may have the right to refuse to permit the assumption, or the lender may have the right to increase the interest rate. These options of the lender may make an assumption unwise, but the possibility should always be explored.
- Remember, though, when you assume an existing mortgage, *your down payment is the difference between the amount the seller now owes the lender, and the price you have agreed to pay for the house.*

IN EACH OF THE ABOVE CASES IT IS VERY IMPORTANT THAT YOU GET THE SAME LEGAL ADVICE AND PROTECTION THAT YOU WOULD GET WITH A REGULAR MORTGAGE LOAN.

APPENDIX 4

- **CREDIT BUREAUS**
- **CREDIT COUNSELING SERVICES**
- **MORTGAGE APPLICATIONS**
- **FHA PROGRAMS**
- **FHA/VA FORMS**
- **LIST OF INSPECTIONS NEEDED FOR YOUR**
- **WHERE TO GO FOR HELP IN GETTING A MORTGAGE**

BEFORE YOU FILL OUT A MORTGAGE
LOAN APPLICATION IT MIGHT BE
WISE TO CHECK YOUR CREDIT WITH
A LOCAL CREDIT BUREAU. THIS
WILL GIVE YOU A CHANCE TO CLEAR
UP ANY DEBT PROBLEMS YOU MAY
HAVE, *BEFORE* YOU APPLY FOR A LOAN.

THERE IS USUALLY A \$5 FEE FOR A
COMPLETE CREDIT REVIEW

IF YOU ARE HAVING CREDIT PROBLEMS
CONTACT YOUR LOCAL CREDIT COUNSELING
SERVICE. THEY MAY BE ABLE TO HELP
YOU WORK OUT A PAYMENT SCHEDULE
WITH YOUR CREDITORS.

BE SURE TO *CALL* FOR AN APPOINTMENT

MORTGAGE APPLICATION COMMONLY USED

THE INFORMATION ASKED FOR IN THE
FORM ON THE NEXT PAGE WILL GIVE YOU
AN IDEA OF THE KINDS OF QUESTIONS
YOU SHOULD BE PREPARED TO ANSWER
WHEN YOU GO TO APPLY FOR A MORTGAGE
LOAN.

RESIDENTIAL LOAN APPLICATION

MORTGAGE APPLIED FOR	Type <input type="checkbox"/> Conv. <input type="checkbox"/> FHA <input type="checkbox"/> VA	Amount \$	Interest Rate %	No. of Months	Monthly Payment Principal & Interest \$	Escrow/Impounds (to be collected monthly) <input type="checkbox"/> Taxes <input type="checkbox"/> Hazard Ins. <input type="checkbox"/> MI <input type="checkbox"/>
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Prepayment Option _____

Property Street Address _____ City _____ County _____ State _____ Zip _____ No. Units _____

Legal Description (Attach description if necessary) _____ Year Built _____ Property is Fee Leasehold
 Condo PUD DeMinimis PUD

Purpose of Loan Purchase Construction-Perm Construction Refinance Other (Explain) _____

Complete this line if Construction Perm. or Construction Loan Lot Value Data Original Cost Present Value (a) Cost of Imps (b) Total (a+b) **ENTER TOTAL AS PURCHASE PRICE IN DETAILS OF PURCHASE**

Complete this line if a Refinance Loan Year Acquired Original Cost Amt Existing Liens Purpose of Refinance Describe Improvement made to be made Cost \$

Title Will Vest in What Names? _____ How Will Title Be Held? (Tenancy) _____

Note Will Be Signed By? _____ Source of Down Payment and Settlement Charges? _____

BORROWER **CO-BORROWER***

Name	Age	Sex**	School Yrs	Name	Age	Sex**	School Yrs
------	-----	-------	------------	------	-----	-------	------------

Present Address No. Years Own Rent Present Address No. Years Own Rent

Street _____ City/State/Zip _____ Street _____ City/State/Zip _____

Former address if less than 2 years at present address Former address if less than 2 years at present address

Street _____ City/State/Zip _____ Street _____ City/State/Zip _____

Years at former address Own Rent Years at former address Own Rent

Marital Status Married Yrs _____ (Check One)** American Indian Negro/Black Oriental Spanish American Other Minority

Dependents other than Co-Borrower Number Ages _____ Dependents other than listed by Borrower Number Ages _____

Name and Address of Employer _____ (White (Non minority)) Name and Address of Employer _____ (White (Non minority))

Years employed in this line of work or profession? _____ years Years employed in this line of work or profession? _____ years

Years on this job _____ years Years on this job _____ years

Position/Title _____ Type of Business _____ Position/Title _____ Type of Business _____

GROSS MONTHLY INCOME **MONTHLY HOUSING EXPENSE** **DETAILS OF PURCHASE**

Item	Borrower	Co-Borrower	Total	Monthly Housing Expense		Details of Purchase
				RENT	PREVIOUS PROPOSED	
Base Income	\$	\$	\$	First Mortgage (P&I)	\$	a. Purchase Price \$
Overtime				Other Financing (P&I)		b. Total Closing Costs
Bonuses				Hazard Insurance		c. Pre Paid Escrows
Commissions				Taxes (Real Estate)		d. Total (a + b + c) \$
Dividends/Interest				Assessments		e. Amt. This Mortgage ()
Net Rental Income				Mortgage Insurance		f. Other Financing ()
Other (SEE INSTRUCTIONS BELOW)				Homeowner Assn. Dues		g. Present Equity in Lot ()
				Total Monthly Pmt \$	\$	h. Amt of Deposit ()
				Utilities		i. Closing costs paid by Seller ()
Total	\$	\$	\$	Total \$	\$	j. Cash required for closing \$

DESCRIBE OTHER INCOME

B-Borrower C-Co-Borrower	NOTE ALIMONY/CHILD SUPPORT PAYMENTS NEED NOT BE LISTED UNLESS THEIR CONSIDERATION IS DESIRED	Monthly Amt.
		\$
		\$

IF EMPLOYED IN CURRENT POSITION FOR LESS THAN TWO YEARS COMPLETE THE FOLLOWING

B/C	Previous Employer/School	City/State	Type of Business	Position/Title	Dates From/To	Monthly Salary
						\$

QUESTIONS APPLY TO BOTH BORROWERS

If Yes, explain on attached sheet	Borrower Yes or No	Co-Borrower Yes or No	Borrower Yes or No	Co-Borrower Yes or No
Have you any outstanding judgments, ever taken bankruptcy, had property foreclosed upon, or given deed in lieu thereof?	_____	_____	Do you have health and accident insurance?	_____
Co-Maker or endorser on any notes?	_____	_____	Do you have major medical coverage?	_____
Defendant/Participant in a Law Suit?	_____	_____	Do you intend to occupy property?	_____
Obligated for child support/alimony payments?	_____	_____	Will this property be your primary residence?	_____
Any portion of the down payment borrowed?	_____	_____	Have you previously owned a home?	_____
			Value of previously owned home	\$ _____ \$ _____

*Complete this section and all other co-borrower questions about spouse if the spouse will be jointly obligated with the borrower on the loan or if the borrower is relying on the spouse's income or on community property in obtaining the loan.
 **This information is requested only for statistical purposes in accordance with the intent of fair housing law. Furnishing this information is voluntary, but borrowers are urged to do so. No lending decision will be made on the basis of this information or on whether or not it is furnished.
 ***FHLMC requires self employed to furnish signed copies of one or more most recent Federal Tax Returns or audited Profit and Loss Statements. FNMA requires business credit report, signed Federal Income Tax returns for last two years, and, if available, audited P/L plus balance sheet for same period.

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 (FHLMC 65A/FNMA 1003A). If the co-borrower section was completed about spouse, complete this statement and supporting schedules about spouse also.

Completed Jointly Not Completed Jointly

ASSETS		LIABILITIES AND PLEDGED ASSETS		
Description	Cash or Market Value	Owed To (Name, Address and Account Number)	Mo. Pmt. and Mos. left to pay	Unpaid Balance
Cash Toward Purchase held by		Indicate by (*) which will be satisfied upon sale or upon refinancing of subject property		
Checking and Savings Accounts (Indicate names of Institutions/Acct. Nos.)		Installment Debt (include "revolving" charge accounts)	\$ Pmt./Mos.	\$
Stocks and Bonds (No./description)			/	
Life Insurance Net Cash Value Face Amount (\$)		Automobile Loan	/	
SUBTOTAL LIQUID ASSETS			/	
Real Estate Owned (Enter Total Market Value from Real Estate Schedule)		Real Estate Loans (Itemize and Identify Lender)		
Vested Interest in Retirement Fund				
Net Worth of Business Owned (ATTACH FINANCIAL STATEMENT)				
Auto (Make and Year)		Other Debt Including Stock Pledges (Itemize)		
Furniture and Personal Property		Alimony and Child Support Payments		
Other Assets (Itemize)				
		TOTAL MONTHLY PAYMENT*	\$	
TOTAL ASSETS	A. \$	NET WORTH (A.-d.) \$	TOTAL LIABILITIES	B. \$

STATEMENT OF ASSETS AND LIABILITIES

SCHEDULE OF REAL ESTATE OWNED (If Additional Properties Owned Attach Separate Schedule)

Address of Property (Indicate 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	Taxes, ins. Maintenance and Misc.	Net Rental Income
TOTALS →							

LIST PREVIOUS CREDIT REFERENCES

<input type="checkbox"/> B-Borrower <input type="checkbox"/> C-Co-Borrower	Owed To (Name and Address)	Account Number	Purpose	Highest Balance	Date Paid
				\$	

AGREEMENT: The undersigned hereby applies for the loan described herein to be secured by a first mortgage or trust deed on the property described herein and represents that no part of said premises will be used for any purpose forbidden by law or restriction and that all statements made in this application are true and made for the purpose of obtaining the loan. Verification may be obtained from any source named herein. The original or a copy of this application will be retained by the lender even if the loan is not granted.

I 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 1014.

Signature (Borrower) _____ Date _____ Signature (Co-Borrower) _____ Date _____

Home Phone _____ Business Phone _____ Home Phone _____ Business Phone _____

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of sex or marital status. The Federal Agency which administers compliance with this law concerning this _____ (type of lender) is _____ (regulatory agency and address)

Additionally the Federal Fair Housing Act also prohibits discrimination on the basis of race, color, religion, sex or national origin.

FOR LENDER'S USE ONLY

(FNMA REQUIREMENT ONLY) This application was taken by _____, a full time employee of _____ (Name of Lender) _____, in a face to face interview with the prospective borrower.

FHA MORTGAGE INSURANCE PROGRAMS AND FHA/VA FORMS
COMMONLY USED FOR AN INSURED LOAN

THE FOLLOWING FORMS ARE USUALLY REQUIRED FOR ALL FHA OR VA MORTGAGE LOAN APPLICATIONS:

FHA FORMS

- FORM 2800-1 FHA REQUEST FOR AN APPRAISAL

- FORM 2800-5 FHA CONDITIONAL COMMITMENT

- FORM 2900-1 FHA REQUEST FOR MORTGAGE APPROVAL COMMITMENT

- FORM 2900-4 FHA FIRM COMMITMENT FOR MORTGAGE INSURANCE

VA FORMS

- FORM 26-1805 VA REQUEST FOR REASONABLE VALUE (APPRAISAL)

- FORM 26-1843g VA NOTIFICATION OF REASONABLE VALUE

- FORM 26-1802a VA APPLICATION FOR HOME LOAN GUARANTEE

FHA AND VA FORMS (SAME)

- FHA FORM 2004-F } REQUEST FOR VERIFICATION OF DEPOSIT
- VA FORM 26-8497a }

- FHA FORM 2004-G } REQUEST FOR VERIFICATION OF EMPLOYMENT
- VA FORM 26-8497 }

THREE FHA PROGRAMS YOU MIGHT BE INTERESTED IN

FHA PROGRAM NUMBER	WHO IS ELIGIBLE?	WHAT ARE THE ADVANTAGES OF THE PROGRAM?	WHAT KIND OF HOUSE CAN BE INSURED?	WHAT IS THE LARGEST MORTGAGE YOU CAN GET?	WHAT IS THE MINIMUM DOWN PAYMENT?
203b	Anyone (<u>Veterans</u> are allowed very low down payments)	Mortgage insurance which allows a lender to give you: <ul style="list-style-type: none"> • a lower interest rate • a low minimum down payment • a mortgage in an older neighborhood 	Any 1-4 family house if it passes an FHA inspection (or is fixed up to pass the FHA inspection)	\$60,000 for a single family house \$65,000 for a 2 family house	3% of the first \$25,000 FHA estimate of value; 5% of value over \$25,000; For Veterans--\$200 which may include closing costs (settlement and prepaid expenses).
221 (d) (2)	Anyone (<u>Displaced families</u> are allowed very low down payments)	Mortgage insurance which allows a lender to give you: <ul style="list-style-type: none"> • a lower interest rate • a low minimum down payment • a mortgage in an older neighborhood 	A 1-4 family house if: it passes an FHA inspection (or can be fixed up to pass the inspection) and the property meets all the requirements of all state and local codes.	\$31,000 for a single family house \$36,000 for a single family house (for 5 or more family members) \$36,000 for a single family house in a <u>high cost</u> area \$42,000 for a single family house in a high cost area (for 5 or more family members) \$35,000 for a 2 family house \$45,000 for a 2 family in a high cost area	3% of the first \$25,000 FHA estimate of value; 3% of value over \$25,000 for a single family house; 10% of value between \$25,000-35,000 (for 2-4 family house); 20% of value over \$25,000 for a 2-4 family house. <u>Displaced families</u> pay \$200 for a single family house \$400 for a 2 family house \$600 for a 3 family house \$800 for a 4 family house
235 (i) Revised	Moderate and lower income families Family means: <ul style="list-style-type: none"> • two or more persons related by blood or marriage or operation of law who occupy the same housing unit • a handicapped person • a single person 62 years of age or older 	Mortgage insurance with the same advantages of 203b and 221(d) (2) and an interest subsidy which may reduce your interest payment on the loan to as low as 4%. Your local FHA can help determine the amount of your subsidy.	A new or substantially rehabilitated single family house or condominium unit.	\$32,000-44,000 (depending on where you live).	3% of the first \$25,000 of FHA estimated value; 10% of value over \$25,000

FHA MORTGAGEE NO. <i>(Please Verify)</i>	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FEDERAL HOUSING ADMINISTRATION	FHA CASE NO.
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MORTGAGEE'S APPLICATION FOR PROPERTY APPRAISAL AND COMMITMENT FOR MORTGAGE INSURANCE UNDER THE NATIONAL HOUSING ACT	PROPERTY ADDRESS
<input type="checkbox"/> SEC. 203(b) <input type="checkbox"/> SEC. _____	

MORTGAGEE Name and Address including ZIP Code <i>(Please Type)</i> <i>(Please locate address within corner marks)</i> <div style="border: 1px solid black; height: 100px; width: 100%;"></div> Telephone No. _____	This form is a request for an appraisal and a commitment to insure a loan on an individual property. We cannot process incomplete applications. Rejecting them is costly. Please help by giving us well prepared applications. Keep all entries within allotted spaces.
---	---

EXISTING HOUSE	Name of Occupant <i>(or person to call if unoccupied)</i>	Tel. No.	Key Encl. <input type="checkbox"/> <i>(If unfurnished)</i>
<input type="checkbox"/>	Mon. & Yr. Completed <input type="checkbox"/> Never Occup <input type="checkbox"/> Vacant	Occupied by <input type="checkbox"/> Owner <input type="checkbox"/> Tenant at \$ _____	Per Mo. <input type="checkbox"/> Furn. <input type="checkbox"/> Unfurn.

PROPOSED SUBSTAN. REHAB. UNDER CONSTR.	Builder's Name & Address including ZIP Code	Tel. No.	Model Identification
<input type="checkbox"/>	Plans: <input type="checkbox"/> First Subm. <input type="checkbox"/> Prob Repeat Cases <input type="checkbox"/> Yes <input type="checkbox"/> No	Prev. Proc. as FHA Case No. _____	

	Mineral Rights Reserved <input type="checkbox"/> No <input type="checkbox"/> Yes <i>(Explain)</i>																												
<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:10%; text-align:center;">Util-ities:</td> <td style="width:15%;">Public</td> <td style="width:15%;">Comm.</td> <td style="width:15%;">Individual</td> </tr> <tr> <td>Water</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Gas</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Elect</td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td colspan="4"><input type="checkbox"/> Underground Wiring</td> </tr> <tr> <td>Sanitary Sewer</td> <td><input type="checkbox"/></td> <td>Sept Tank</td> <td>Cess Pool</td> </tr> <tr> <td></td> <td></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table>		Util-ities:	Public	Comm.	Individual	Water	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Gas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Elect	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> Underground Wiring				Sanitary Sewer	<input type="checkbox"/>	Sept Tank	Cess Pool			<input type="checkbox"/>	<input type="checkbox"/>
Util-ities:	Public	Comm.	Individual																										
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Sanitary Sewer	<input type="checkbox"/>	Sept Tank	Cess Pool																										
		<input type="checkbox"/>	<input type="checkbox"/>																										

SPEC. ASSESS. Prepayable \$ _____ Non-Prepay \$ _____ Int. _____ % Ann Pay \$ _____ Unpd Bal \$ _____ Rem. Term _____ Yrs	LOT _____ x _____ <input type="checkbox"/> Irr. <input type="checkbox"/> Acres _____ Sq. Ft.
GENERAL LOCATION:	

ANN. R. EST. TAXES \$	ANN. FIRE INS. \$	SALE PRICE \$
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EQUAL OPPORTUNITY IN HOUSING

Federal laws and regulations prohibit discrimination because of race, color, religion, sex, or national origin in the sale or rental of residential property. Numerous state statutes and local ordinances also prohibit such discrimination. In addition, section 805 of the Civil Rights Act of 1968 prohibits discriminatory practices in connection with the financing of housing.

If FHA finds there is noncompliance with any applicable antidiscrimination laws or regulations, it may discontinue FHA business with the violator.

LEGAL DESCRIPTION <i>(Attach one page if necessary)</i> Please consider the following TITLE EXCEPTIONS in value: Please consider the following Equipment in value:	SHOW BELOW: Shape, location, distance from nearest intersection and street names. Mark N at NORTH point. <div style="border: 1px solid black; width: 100%; height: 100%; text-align: center;"> </div>
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LEASEHOLD	Ground Rent <i>(Per Yr)</i> \$ _____	Lease is: <input type="checkbox"/> 99 years <input type="checkbox"/> Renewable	<input type="checkbox"/> FHA Approved Expires _____
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In submitting this application for a conditional commitment for mortgage insurance, it is agreed and understood by the parties involved in the transaction, that if, at the time of application for a Firm Commitment, the identity of the seller has changed, the application for a Firm Commitment will be rejected and the application for a Conditional Commitment will be reprocessed upon request by the mortgagee.

It is further agreed and understood that in submitting the request for a Firm Commitment for mortgage insurance, the seller, the purchaser and the broker involved in the transaction shall each certify that the terms of the contract for purchase are true to his best knowledge and belief, and that any other agreement entered into by any of these parties in connection with this transaction is attached to the sales agreement.

BUILDER/SELLER'S AGREEMENT: All Houses: The undersigned agrees to deliver to the purchaser FHA's statement of appraised value. Proposed Construction: The undersigned agrees, upon sale or conveyance of title within one year from date of initial occupancy, to deliver to the purchaser FHA Form 2544, warranting that the house is constructed in substantial conformity with the plans and specifications on which FHA based its value and to furnish FHA a conformed copy with the purchaser's receipt thereon that the original warranty was delivered to him. All Houses: In consideration of the issuance of the commitment requested by this application, I (we) hereby agree that any deposit or down payment made in connection with the purchase of the property described above, whether received by the undersigned or an agent of the undersigned, shall upon receipt be deposited in escrow or in trust or in a special account which is not subject to the claims of my creditors and where it will be maintained until it has been disbursed for the benefit of the purchaser or otherwise disposed of in accordance with the terms of the contract of sale.

Signature: Mortgagee Builder Seller Other 19

MORTGAGEE'S CERTIFICATE: The undersigned mortgagee certifies that to the best of its knowledge all statements made in this application and the supporting documents are true, correct and complete.

Signature/Title of Mortgage Officer: _____ 19

WARNING: Section 1010 of Title 18, U.S.C., provides: "Whoever, for the purpose of . . . influencing such Administration . . . makes, passes, utters, or publishes any statement, knowing the same to be false . . . shall be fined not more than \$5,000 or imprisoned not more than two years, or both."

FHA MORTGAGEE NO.	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FEDERAL HOUSING ADMINISTRATION	FHA CASE NO.
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<p style="text-align: center;">CONDITIONAL COMMITMENT FOR MORTGAGE INSURANCE UNDER THE NATIONAL HOUSING ACT</p> <p style="text-align: center;"><input type="checkbox"/> SEC. 203(b) <input type="checkbox"/> SEC.</p>	<p style="text-align: center;">PROPERTY ADDRESS</p>
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<p>MORTGAGEE</p>	<p>ESTIMATED VALUE OF PROPERTY . . . \$ _____</p> <p>COMMITTED FOR INSURANCE</p> <p>COMMITMENT</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:50%;">Issued</td> <td style="width:50%; text-align: right;">19</td> </tr> <tr> <td>Expires</td> <td style="text-align: right;">19</td> </tr> </table>	Issued	19	Expires	19	<p>7. MONTHLY EXPENSE ESTIMATE</p> <table style="width:100%; border-collapse: collapse;"> <tr><td>Fire Ins</td><td style="text-align: right;">\$ _____</td></tr> <tr><td>Taxes</td><td style="text-align: right;">\$ _____</td></tr> <tr><td>Condo. Com. Exp. \$</td><td style="text-align: right;">\$ _____</td></tr> <tr><td>Main & Repairs \$</td><td style="text-align: right;">\$ _____</td></tr> <tr><td>Heat & Utilities \$</td><td style="text-align: right;">\$ _____</td></tr> </table> <p>ESTIMATED CLOSING COST \$ _____</p>	Fire Ins	\$ _____	Taxes	\$ _____	Condo. Com. Exp. \$	\$ _____	Main & Repairs \$	\$ _____	Heat & Utilities \$	\$ _____
Issued	19															
Expires	19															
Fire Ins	\$ _____															
Taxes	\$ _____															
Condo. Com. Exp. \$	\$ _____															
Main & Repairs \$	\$ _____															
Heat & Utilities \$	\$ _____															

COMMITMENT TERMS MAX MORT. AMT \$ _____ NO. MOS. _____ MAX. INTEREST _____ %

EXISTING PROPOSED
(See Gen. Cond. 3)

INFORMATION	<p>Improved Living Area Sq. Ft.</p>
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The estimates of fire insurance, taxes, maintenance/repairs, heat/utilities and closing costs are furnished for mortgagee's and mortgagor's information. They may be used to prepare FHA Form 2900, Application for Credit Approval, when a firm commitment is desired.

GENERAL COMMITMENT CONDITIONS

1. **MAXIMUM MORTGAGE AMOUNT AND TERMS** -
 (a) **OCCUPANT MORTGAGORS**:- the mortgage amount and term set forth in the heading are the maximum approved for this property assuming a satisfactory owner-occupant mortgagor. The maximum amount and term in the heading may be changed depending upon FHA's rating of the borrower, his income and credit.
 (b) **NONOCCUPANT MORTGAGORS**:- If the mortgagor does not occupy the house, the law limits the maximum mortgage amount to not to exceed 85% of the maximum amount available to an eligible mortgagor who will occupy the house (85% of value if Sec. 203(i) or 221). In the case of nonoccupant mortgagors, the firm commitment when issued will reduce the mortgage amount and terms below that stated in the heading.
 (c) **COMMITMENT CHANGES**:- The Commissioner may, upon request of the approved mortgagee, change the mortgage amount and term set forth in the heading. If the application is accompanied by a VA CRV, changes will be made only if VA issues an amendment.
2. **FIRM COMMITMENT**:- A firm commitment to insure a loan will be issued upon receipt of an Application for Credit Approval, FHA Form 2900, executed by an approved mortgagee and a borrower satisfactory to the Commissioner.
3. **COMMITMENT TERM**:- This commitment shall expire **SIX MONTHS** from the issue date in the case of an **EXISTING HOUSE** or **ONE YEAR** from its date in the case of **PROPOSED CONSTRUCTION**. (FHA classifies all cases as either "EXISTING" or "PROPOSED" for the purpose of determining when a commitment expires. Accordingly, a house, even though still under construction, may be classified as an existing house if it was not approved by FHA or VA prior to the beginning of construction.)
4. **CANCELLATION**:- This commitment may be cancelled after 60 days from the date of issuance if construction has not started, unless the mortgagee has disbursed loan proceeds.
5. **PROPERTY STANDARDS**:- All construction, repairs, or alterations proposed in the application or on the drawings and specifications returned herewith, shall equal or exceed the FHA Minimum Property Standards.

SPECIFIC COMMITMENT CONDITIONS (Applicable when checked)

1. **HEALTH AUTHORITY APPROVAL**:- Execution of Form 2573 by the Health Authority indicating approval of the water supply and/or sewage disposal installation is required. (Approval by letter or Health Authority Form may be used.)
2. **TERMITE CONTROL**:- (a) **EXISTING HOUSE** - Furnish certificate from a recognized termite control operator that the house and other structures within the legal boundaries of the property shows no evidence of active termite infestation. (b) **PROPOSED CONSTRUCTION** - Furnish one copy of Termite Soil Treatment Guarantee FHA Form 2052.
3. **PREFABRICATOR'S CERTIFICATE**:- Provide Prefabrication Certificate required by related Engineering Bulletin.
4. **CARPET UNDERFLOORING**:- Notice of subflooring or finish flooring installed under carpet shall be posted at a conspicuous location within the dwelling.
5. **SUBDIVISION REQUIREMENTS**:- Comply with Requirements No. from Report dated _____ for _____ Subdivision.
6. **BUILDER'S WARRANTY**:- The builder shall execute FHA Form 2544, Builder's Warranty.
7. **PROPERTY INSPECTIONS**:- A notice of construction status shall be given by Form 2289X, letter or telephone at the time indicated below:
 a. **Proposed Construction Cases**:
 (1) Notification shall be given for all **Proposed Construction Cases** at least two work days before "beginning of construction" and as may be instructed below.
 (2) When the building is enclosed, structural framing completely exposed and roughing-in of plumbing, heating and electrical work installed and visible.
 (3) When construction completed and property ready for occupancy.
 b. **REPAIRS**: Notify FHA upon completion of required repairs.
 c. **CERTIFICATE OF COMPLETION**: A certificate stating that the mortgagee has examined the proposed or required repairs and that they have been satisfactorily completed will be accepted.
8. **VA INSPECTIONS**:- Furnish a copy of a clear VA final report.
9. **ASSURANCE OF COMPLETION**:- If the required repairs cannot be completed prior to submission of closing papers, a Form 2300 escrow in the amount of \$ _____ (or such additional amount as the lender desires) may be established as the means to assure completion.
10. **SELLER'S AGREEMENT AND ESCROW FOR EXISTING PROPERTIES FINANCED UNDER SECTION 235-SECTION 518**
 This commitment is issued on the condition that if the mortgage is to be insured under Section 235, the seller will execute an agreement to reimburse HUD for expenses incurred in repairing structural or other defects with respect to the property being sold. The form of agreement shall be prescribed by the Secretary and a seller who is not the occupant of the property will deposit 5 percent of the sales price in escrow with the mortgage in accordance with the terms of the agreement.
11. **SECTION 223**
 This Commitment is issued under Section _____ Pursuant to Section 223e.
12. **SECTION 221(d)(2)**
 The Maximum Insurable mortgage for a mortgagor other than a displaced family presenting a Certificate of Eligibility, FHA Form 3476, is \$ _____.
13. **CODE ENFORCEMENT**
 Submit a statement from Public Authority that the subject property meets Code Requirements. If the mortgage encumbering the property is to be insured under Section 221(d)(2) a code compliance inspection is required.
14. **REQUIRED CERTIFICATIONS**.
 Electrical Heating Roofing Plumbing
15. **EXPIRATION DATE**:- The Total Value stated above is based on Veterans Administration Certification of Reasonable Value, case number _____, dated _____, or on _____, dated _____. Regardless of General Commitment Condition Number 3, above, this commitment expires on _____.
16. See special conditions No. _____ below or on attached sheet.

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FEDERAL HOUSING ADMINISTRATION

2. FHA Case No.

1. MORTGAGEE'S APPLICATION FOR MORTGAGOR APPROVAL AND COMMITMENT FOR MORTGAGE INSURANCE UNDER THE NATIONAL HOUSING ACT

SEC. 203(b) SEC. (NOTE: See reverse for Privacy Act Statement)

5. MORTGAGEE - Name, Address & Zip Code (Please Type) (Please locate address within corner marks)

3. PROPERTY ADDRESS 4. MORTGAGORS: Mtgor. Sex Age Co-Mtgor. Sex Age Address Married Yrs. No. of Dependents Ages Co-Mortgagor(s) Sex Age(s) (Check One) White (Non-Minority) American Indian Spanish American Negro/Black Oriental Other Minority 6. MORTGAGE APPLIED FOR Mortgage Amount *Interest Rate No. of Months Monthly Payment Principal & Interest

7. PURPOSE OF LOAN: Finance Constr. on Own Land Finance Purchase Refinance Exist. Loan Finance Impr. to Exist. Prop MORTGAGOR WILL BE: Occupant Landlord Builder Escrow Commit. Mortgagor Other

8. ASSETS Cash accounts Marketable securities Other (explain) OTHER ASSETS (A) TOTAL Cash deposit on purchase Other (explain) (B) TOTAL

12. SETTLEMENT REQUIREMENTS (a) Existing debt (Refinancing only) (b) Sale price (Realty only) (c) Repairs & Improvements (d) Closing Costs (e) TOTAL (a+b+c+d) Acquisition cost (f) Mortgage amount (g) Mortgagor's required investment(e-f) (h) Prepayable expenses (i) Non-realty & other items (j) TOTAL REQUIREMENTS (g+h+i) (k) Amt. pd. cash Other (explain) (l) Amt. to be pd. cash Other (explain) (m) Tot. assets available for closing (B) (A)

9. LIABILITIES Monthly Payt. Unpd. Bal. Automobile Debts, other Real Estate Life Insurance Loans Notes payable Credit Union Retail accounts NAME ACCOUNT NO TOTAL

13. FUTURE MONTHLY PAYMENTS (a) Principal & Interest (b) FHA Mortgage Insurance Premium (c) Ground rent (Leasehold only) (d) TOTAL DEBT SERVICE (a+b+c) (e) Hazard Insurance (f) Taxes, special assessments (g) TOTAL MTG. PAYT. (d+e+f) (h) Maintenance & Common Expense (i) Heat & utilities (j) TOTAL HSG. EXPENSE (g+h+i) (k) Other recurring charges (explain) (l) TOTAL FIXED PAYT. (j+k)

10. EMPLOYMENT Mortgagor's occupation Employer's name & address years employed Co-Mtgor. occupation Employer's name & address years employed

14. PREVIOUS MONTHLY HOUSING EXPENSE Mortgage payment or rent Hazard Insurance Taxes, special assessments Maintenance Heat & Utilities Other (explain) TOTAL

11. MONTHLY INCOME Mortgagor's base pay Other Earnings (explain) Co-Mtgor. base pay Other Earnings (explain) Gross Income, Real Estate Other (explain) TOTAL

15. PREVIOUS MONTHLY FIXED CHARGES Federal, State & Local income taxes Prem. for Life Insurance Social Security & Retirement Payments Installment account payments Operating Expenses, other Real Estate Other (explain) TOTAL

16. Do you own other Real Estate Unpaid Bal. \$ Is it to be sold Address Yes No FHA mortgage Yes No Sales Price \$ Orig-Mtg Amt \$ Lender

17. MORTGAGOR'S CERTIFICATE -- I have have not received a copy of the FHA Statement of Value (FHA Form 2800-6) or Veterans Administration Certificate of Reasonable Value (VA Form 26-1843) showing the estimated value of the property described in this application. Have you sold a property within the last year which had an FHA mortgage? Yes No. If "Yes" was the mortgage paid in full? Yes No. If "No" give FHA Case Number buyer's name property address date of transfer lender's name and address original mortgage amount \$ unpaid balance: when sold \$ Did buyer intend to occupy? Yes No. Have you ever been obligated on a home loan, home improvement loan or a mobile home which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgement? Yes No. If "Yes" attach statement giving full details including date, property address, name and address of lender, FHA or VA Case Number, if any, and reasons for the action. If dwelling to be covered by this mortgage is to be rented, is it a part of, adjacent or contiguous to any project, subdivision, or group of rental properties involving eight or more dwelling units in which you have any financial interest? Yes No Not to be rented. If "Yes" give details. Do you own four or more dwelling units with mortgages insured under any title of the National Housing Act? Yes No. If "Yes" submit FHA Form 2561. The Mortgagor certifies that all information in this application is given for the purpose of obtaining a loan to be insured under the National Housing Act and is true and complete to the best of his knowledge and belief. Verification may be obtained from any source named herein. *NOTE: The interest rate shown in item 6 is the FHA-VA maximum rate in effect on the date of this commitment and may increase prior to closing unless buyer and lender agree otherwise. Signature(s) Date 19

18. MORTGAGEE'S CERTIFICATE - The mortgagor certifies that all information in this application is true and complete to the best of its knowledge and belief. Signature Date 19

WARNING: Section 1010 of Title 18, U. S. C., "Federal Housing Administration transactions," provides: "Whoever, for the purpose of... influencing in any way the action of such Administration... makes, passes, utters, or publishes any statement, knowing the same to be false... shall be fined not more than \$5,000 or imprisoned not more than two years, or both." FHA FORM NO. 2900-1 Rev. 2/76

FHA COPY - FILE IN CASE BINDER

FHA Case No. _____

**FIRM COMMITMENT FOR
MORTGAGE INSURANCE UNDER THE NATIONAL HOUSING ACT**
 SEC. 203(b) SEC.

**PROPERTY
ADDRESS**

MORTGAGORS:

Mtgor. _____ Soc. Sec. No. _____ Sex _____
Age _____
Co-Mtgor. _____ Soc. Sec. No. _____ Sex _____
Age _____
Address _____

Married _____ Yrs. _____ No. of Dependents _____ Ages _____
Co-Mortgagor(s) _____ Sex _____ Age(s) _____

(Check One)
1 White (Non-Minority) 3 American Indian 5 Spanish American
2 Negro/Black 4 Oriental 6 Other Minority

MORTGAGE APPLIED FOR → \$ _____ Mortgage Amount * Interest Rate % No. of Months Monthly Payment Principal & Interest \$ _____

ACCEPTED: A note and mortgage described above or as modified below will be insured under the National Housing Act provided one of the mortgagors will be an owner-occupant and all conditions appearing in any outstanding commitment issued under the above case number and those set forth below are fulfilled.

<input type="checkbox"/> MODIFIED AND ACCEPTED AS FOLLOWS:	Mortgage Amount \$ _____	Interest Rate % _____	No. of months _____	Monthly Payment Principal & Interest \$ _____
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ESTIMATE OF VALUE AND CLOSING COSTS

VALUE OF PROPERTY	\$ _____
Closing Costs	\$ _____
TOTAL (For Mortgage Insurance Purposes)	\$ _____

ADDITIONAL CONDITIONS

2544 - Builders warranty required. Owner-occupancy NOT required. (Delete (c) - Mortgagor's Certificate)
(See Item(s) _____ on Addendum to Commitment)

The property is to be insured under Section 221 (d) (2); a code compliance inspection is required.

Improved Floor Area _____ Sq. Ft.

THIS COMMITMENT EXPIRES:

DATE OF THIS COMMITMENT

_____, 19_____
(Expiration Date)

(Authorized Agent for the Federal Housing Commissioner)

(Field Office)

INSTRUCTIONS TO MORTGAGEE: Forward to the insuring office: (1) this commitment signed by the mortgagee and mortgagor; (2) a copy of the note, bond or other credit instrument; (3) a copy of the mortgage or other security instrument; (4) a copy of the settlement statement, (Form HUD-1) signed by the mortgagee which itemizes all charges and fees collected by the mortgagee from the mortgagor and seller; and (5) FHA Mortgage Insurance Certificate completed with case number, Section of the National Housing Act, mortgage amount, property address, mortgagors' names and mortgagee's name and address.

MORTGAGOR'S CERTIFICATE - The undersigned certifies that:

- (a) The mortgaged property, including removable equipment items shown on any outstanding commitment issued under the above case number and those set forth above, will be owned by me free and clear of all liens other than that of such mortgage.
- (b) I will not have outstanding any other unpaid obligations contracted in connection with the mortgage transaction or the purchase of the said property except obligations which are secured by property or collateral owned by me independently of the said mortgaged property, or obligations approved by the Commissioner.
- (c) One of the undersigned is the occupant of the subject property. (NOTE: Delete item (c) if owner occupancy not required by commitment).
- (d) All charges and fees collected from me as shown in the settlement statement have been paid from my own funds, and no other charges have been or will be paid by me in respect to this transaction.
- (e) Check Applicable Box:
 - This was a refinancing transaction; sale of property was not involved.
 - Purchase of the lot was a separate transaction; dwelling was built for occupancy by me.
 - The FHA Statement of Appraised Value or VA Certificate of Reasonable Value was given to me prior to my signing the purchase contract for the property.
 - The FHA Statement of Appraised Value or VA Certificate of Reasonable Value was not received by me prior to my signing the contract to purchase, but the contract to purchase contained the following language: "It is expressly agreed that, notwithstanding any other provisions of this contract, the purchaser shall not be obligated to complete the purchase of the property described herein or to incur any penalty by forfeiture of earnest money deposits or otherwise unless the seller has delivered to the purchaser a written statement issued by the Federal Housing Commissioner setting forth the appraised value of the property (excluding closing costs) of not less than \$ _____ which statement the seller hereby agrees to deliver to the purchaser promptly after such appraised value statement is made available to the seller. The purchaser shall, however, have the privilege and option of proceeding with the consummation of the contract without regard to the amount of the appraised valuation made by the Federal Housing Commissioner."
(IF THE AMENDMENT PROCEDURE WAS NECESSARY, THE DOLLAR AMOUNT USED IN THE AMENDATORY CLAUSE IS INSERTED IN THE ABOVE BLANK.)
- (f) Neither I, nor anyone authorized to act for me, will refuse to sell or rent, after the making of a bona fide offer, or refuse to negotiate for the sale or rental of, or otherwise make unavailable or deny the dwelling or property covered by this loan to any person because of race, color, religion, sex, marital status or national origin. I recognize that any restrictive covenant on this property relating to race, color, religion, sex, marital status or national origin is illegal and void and any such covenant is hereby specifically disclaimed. I understand that civil action for preventative relief may be brought by the Attorney General of the United States in any appropriate U.S. District Court against any person responsible for a violation of this certification. *NOTE: The interest rate shown is the FHA - VA maximum rate in effect on the date of this commitment and may increase prior to closing unless buyer and lender agree otherwise.

Signature(s) _____

Date: _____ 19____

MORTGAGEE'S CERTIFICATE - The undersigned certifies that to the best of its knowledge:

Date _____, 19____

- (a) None of the statements made in its application for insurance nor in the Mortgagor's Certificate are untrue or incorrect.
- (b) The conditions listed above or appearing in any outstanding commitment issued under the above case number have been fulfilled.
- (c) Complete disbursement of the loan has been made to the Mortgagor, or to his creditors for his account and with his consent.
- (d) The security instrument has been recorded and is a good and valid first lien on the property described.
- (e) No charge has been made to or paid by the Mortgagor except as permitted under FHA Regulations.
- (f) The copies of the credit and security instruments which are submitted herewith are true and exact copies as executed and filed for record.
- (g) It has not paid any kickbacks, fees or consideration of any type, directly or indirectly, on or after May 1, 1972, to any party in connection with this transaction except as permitted under Section 203.7(a)(6) of the FHA Regulations and administrative instructions issued pursuant thereto.

Mortgagee (Please use FHA imprint stamp, or other approved device.)

NOTE: If commitment is executed by an agent in name of the mortgagee, the agent must enter the mortgagee's code number and type code number in blocks below.

Code	Type

(Signature and title of officer)

VETERANS ADMINISTRATION
REQUEST FOR DETERMINATION OF REASONABLE VALUE (Real Estate)

CASE NUMBER

On receipt of "Certificate of Reasonable Value" or advice from the Veterans Administration that a "Certificate of Reasonable Value" will not be issued, we agree to forward to the appraiser the approved fee which we are holding for this purpose.

1. STATUS OF PROPERTY
 A. PROPOSED B. PREVIOUSLY OCCUPIED C. PREVIOUSLY OCCUPIED D. IMPROVEMENTS, OR REPAIRS E. OWNED AND OCCUPIED BY VETERAN APPLICANT AS HIS HOME F. REFINANCING—RESIDENCE OWNED AND OCCUPIED BY VETERAN APPLICANT AS HIS HOME
 2. CONSTRUCTION COMPLETED BEFORE DATE HEREOF
 A. WITHIN 12 CALENDAR MOS. B. MORE THAN 12 CALENDAR MOS.

3. NAME AND ADDRESS OF FIRM OR PERSON MAKING REQUEST (Complete mailing address. Include ZIP Code)
 4. PROPERTY ADDRESS (Include ZIP Code)
 5. TYPE OF PROPERTY
 HOME FARM
 BUSINESS
 6. LOT DIMENSIONS

9. DESCRIPTION	WOOD SIDING	CINDER BLOCK	SPLIT LEVEL	NO. ROOMS	DINING ROOM	CAR GARAGE	GAS	CEN. AIR COND.
DETACHED	WOOD SHINGLE	STONE	% BASEMENT	BEDROOMS	KITCHEN	CAR CARPORT	UNDERGROUND WIRE	TYPE HEAT & FUEL
SEMI-DET.	ALUM. SIDING	BRICK & BLOCK	SLAB	BATHS	FAMILY RM.	WATER (Public)	SEWER (Public)	ROOFING DESCRIP.
ROW	ASB. SHINGLE	STUCCO	CRAWL SPACE	1/2 BATHS	UTILITY RM.	WATER (Comm.)	SEWER (Comm.)	
CONDOMINIUM	BRICK VENEER	STORIES	YRS. EST. AGE	LIVING RM.	FIREPLACE	WATER (Ind.)	SEPTIC TANK	

10. LEGAL DESCRIPTION
 11. TITLE LIMITATIONS, INCLUDING EASEMENTS, RESTRICTIONS, ENCROACHMENTS, HOMEOWNERS ASSOCIATION ASSESS., ETC.
 12. TYPE OF STREET PAVING
 CURB
 SIDEWALK
 STORM SEWER

13. VETERAN PURCHASER'S NAME AND ADDRESS (Complete mailing address. Include ZIP Code)
 14. REMOVABLE EQUIPMENT INCLUDED IN PURCHASE PRICE OR COST
 RANGE OR COUNTER TOP UNIT DISHWASHER REFRIGERATOR
 AUTOMATIC WASHER DRYER WALL-TO-WALL CARPETING
 OTHER(S) (Specify)

15A. OCCUPANT'S NAME 15B. TELEPHONE NO. 16A. BROKER'S NAME 16B. TELEPHONE NO.

17. DATE AND TIME AVAILABLE FOR INSPECTION
 AM _____ PM _____
 18. KEYS AT (Address)
 19. NAME OF OWNER

20. COMPLIANCE INSPECTIONS WILL BE OR WERE MADE BY
 FHA VA NONE MADE
 21. NUMBER OF MASTER CERTIFICATE OF REASONABLE VALUE (If any)
 22. PROPOSED SALES CONTRACT ATTACHED
 YES NO
 23. CONTRACT NO. PREVIOUSLY APPROVED BY VA THAT WILL BE USED

24A. NAME AND ADDRESS OF BUILDER (Include ZIP Code) 24B. TELEPHONE NO. 25A. NAME AND ADDRESS OF WARRANTOR (Include ZIP Code) 25B. TELEPHONE NO.

26. PLANS (Check one)
 FIRST SUBMISSION REPEAT CASE (If repeat case, complete item 27)
 27. PLANS PREVIOUSLY PROCESSED UNDER VA CASE NO.
 28. ANNUAL REAL EST. TAXES (If exist. construction)
 \$ _____

29. COMMENTS ON SPECIAL ASSESSMENTS
 30. SHOW BELOW: Shape, location, distance from nearest intersection, and street names. Mark N at north point.

EQUAL OPPORTUNITY IN HOUSING—NOTICE

Federal laws and regulations prohibit discrimination because of race, color, religion or national origin in the sale or rental or financing of residential property. Numerous state statutes and local ordinances also prohibit such discrimination.

Non-compliance with applicable antidiscrimination laws and regulations in respect to any property included in this request shall be a proper basis for refusal by the VA to do business with the violator and for refusal to appraise properties with which the violator is identified. Denial of participation in any program administered by the Federal Housing Administration because of such violation shall constitute basis for similar action by the VA.



CERTIFICATION REQUIRED ON CONSTRUCTION UNDER FHA SUPERVISION (Strike out inappropriate phrases in parentheses)

I hereby certify that plans and specifications and related exhibits, including acceptable FHA Change Orders, if any, supplied to VA in this case, are identical to those (submitted to) (to be submitted to) (approved by) FHA, and that FHA inspections (have been) (will be) made pursuant to FHA approval for mortgage insurance on the basis of proposed construction under Sec.

31A. NAME AND ADDRESS OF PROSPECTIVE LENDER (Include ZIP Code) 31B. TELEPHONE NO. OF LENDER 32. SALE PRICE OF PROPERTY 33. REFINANCING AMT. OF PROPOSED LOAN
 \$ _____ \$ _____

34. SIGNATURE OF PERSON AUTHORIZING THIS REQUEST 35. TITLE 36. DATE

Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance or the granting of any loan by the Administrator.

DO NOT WRITE IN THIS SPACE — FOR VETERANS ADMINISTRATION USE ONLY

37. DATE OF ASSIGNMENT 38. NAME OF APPRAISER

1. ESTIMATED REASONABLE VALUE \$	VETERANS ADMINISTRATION NOTIFICATION OF REASONABLE VALUE (VA GUARANTEED LOAN)	2. CASE NUMBER 3. EXPIRATION OF VALIDITY PERIOD
NOTE: Read carefully the information below. Show the above case number on all correspondence.		
IDENTITY OF PROPERTY APPRAISED	▶	4. PROPERTY ADDRESS (Include ZIP Code)
IMPORTANT INFORMATION THE PROPERTY DESCRIBED IN ITEM 4 HAS BEEN APPRAISED AND THE VETERANS ADMINISTRATION HAS DETERMINED THAT ITS REASONABLE VALUE IS THE AMOUNT SHOWN IN ITEM 1. WE CONSIDER REASONABLE VALUE TO BE THE SAME, AS A PRACTICAL MATTER, AS CURRENT MARKET VALUE. THE <u>MAXIMUM</u> VA GUARANTEED LOAN A PRIVATE LENDER CAN MAKE TO YOU IS THE AMOUNT IN ITEM 1 ABOVE. IT IS IMPORTANT TO NOTE THAT IF THE PURCHASE PRICE OR COST OF THE PROPERTY EXCEEDS THE AMOUNT IN ITEM 1, YOU MUST PAY IN CASH FROM YOUR OWN RESOURCES AT OR PRIOR TO LOAN CLOSING AN AMOUNT EQUAL TO THE DIFFERENCE BETWEEN THE PURCHASE PRICE OR COST OF THE PROPERTY AND THE REASONABLE VALUE IN ITEM 1. FURTHER, YOU MAY NOT BORROW OR INCUR ANY INDEBTEDNESS IN CONNECTION WITH SUCH CASH PAYMENT. IN ANY EVENT YOU MUST BE ABLE TO FUND THE CLOSING COSTS WHICH YOU ARE TO PAY AND ANY DIFFERENCE THERE MAY BE BETWEEN THE PURCHASE PRICE OR COST OF THE PROPERTY AND THE LOAN AMOUNT.		
5. VETERAN PURCHASER'S NAME AND ADDRESS (Complete mailing address. Include ZIP Code)		THE REASONABLE VALUE AS SET FORTH HEREIN IS PREDICATED UPON CONDITIONS RECITED BELOW. THIS IS ONLY A NOTICE ABOUT THE APPRAISAL. IT DOES NOT MEAN VA HAS APPROVED YOUR LOAN. RETAIN THIS NOTICE FOR FUTURE REFERENCE.
GENERAL CONDITIONS		
(NOTE: THE VETERANS ADMINISTRATION DOES NOT ASSUME ANY RESPONSIBILITY FOR THE CONDITIONS OF THE PROPERTY. THE CORRECTION OF ANY DEFECTS NOW EXISTING OR THAT MAY DEVELOP WILL BE THE RESPONSIBILITY OF THE PURCHASER.) 1. This certificate will remain effective as to any written contract of sale entered into by an eligible veteran within the validity period indicated. 2. This dwelling conforms with the Minimum Property Requirements prescribed by the Administrator of Veterans Affairs. 3. The aggregate of any loan secured by this property plus the amount of any assessment consequent on any special improvements as to which a lien or right to a lien shall exist against the property, except as provided in Item 16 below, may not exceed the reasonable value in Item 1 above. 4. Proposed construction shall be completed in accordance with the plans and specifications identified below, relating to both on-site and off-site improvements upon which this valuation is based and shall otherwise conform fully to the VA Minimum Property Requirements. Satisfactory completion must be evidenced by either: A. VA Final Compliance Inspection Report (VA Form 26-1839), or B. VA Acceptance of FHA Compliance Inspection Reports (FHA Forms 2051) or other evidence of completion under FHA supervision applicable to proposed construction. 5. By contracting to sell property, as proposed construction or existing construction not previously occupied, to a veteran purchaser who is to be assisted in the purchase by a loan made, guaranteed, or insured by VA, the builder or other seller agrees to place any down payment received by the seller or agent of the seller in a special trust account as required by section 1806 of Title 38, U. S. Code.		
SPECIFIC CONDITIONS (Applicable when checked or completed)		
6. THE REASONABLE VALUE ESTABLISHED HEREIN FOR THE RELATED PROPERTY IS <input type="checkbox"/> BASED UPON OBSERVATION OF THE PROPERTY IN ITS "AS IS" CONDITION <input type="checkbox"/> PREDICATED UPON COMPLETION OF REPAIRS LISTED IN ITEM 9 <input type="checkbox"/> PREDICATED UPON COMPLETION OF PROPOSED CONSTRUCTION (If checked complete item 7)	7. PROPOSED CONSTRUCTION TO BE COMPLETED (Identify plans, specifications and exhibits)	
8. INSPECTIONS REQUIRED <input type="checkbox"/> FHA COMPLIANCE INSPECTIONS FOR PROPOSED CONSTRUCTION <input type="checkbox"/> VA COMPLIANCE INSPECTIONS <input type="checkbox"/> LENDER TO CERTIFY	9. REPAIRS TO BE COMPLETED	
10. NAME OF COMPLIANCE INSPECTOR		12. This document is subject to the provisions of Executive Orders 11246 and 11375, and the Rules and Regulations of the Secretary of Labor in effect this date, and VA Regulation 4390 through 4393, and also the provision of the certification executed by the builder, sponsor or developer named herein which is on file in this office.
11. HEALTH AUTHORITY APPROVAL - Execution of VA Form 26-6395 by the Health Authority indicating approval of the water supply and/or sewage disposal installation is required. (Approval by letter or Health Authority Form may be used.)		13. TERMITE CERTIFICATE - The seller shall furnish the veteran-purchaser at no cost to the veteran prior to settlement a written statement (or certification) from a recognized exterminator that based on careful visual inspection of accessible areas and on sounding of accessible structural members, there is no evidence of termite or other wood-destroying insect infestation in the subject property, and, if such infestation previously existed, it has been corrected and any damage due to such infestation has also been corrected or alternatively been fully disclosed as follows . . .
14. WARRANTY <input type="checkbox"/> (If checked, complete item 15)	15. NAME OR WARRANTOR	16. SEE GENERAL CONDITIONS ABOVE
17. OTHER REQUIREMENTS		
18. DATE	19. ADMINISTRATOR OF VETERANS AFFAIRS, BY (Signature of authorized agent)	20. VA OFFICE

VETERANS ADMINISTRATION APPLICATION FOR HOME LOAN GUARANTY				1. VA LOAN NUMBER		2. LENDER'S LOAN NO.	
3. NAME AND PRESENT ADDRESS OF VETERAN (Include ZIP Code)				5A. VETERAN: If you do not wish to complete Items 5B or 5C, please initial here		INITIALS	
				5B. RACE/NATIONAL ORIGIN		5C. SEX	
4. NAME AND ADDRESS OF LENDER (Include No., street or rural route, city, P.O., State and ZIP Code)				<input type="checkbox"/> AMERICAN INDIAN ALASKAN NATIVE <input type="checkbox"/> ASIAN, PACIFIC ISLANDER <input type="checkbox"/> BLACK <input type="checkbox"/> HISPANIC <input type="checkbox"/> WHITE <input type="checkbox"/> OTHER (Specify)		<input type="checkbox"/> FEMALE <input type="checkbox"/> MALE	
				6A. SPOUSE OR OTHER CO-BORROWER: If you do not wish to complete Items 6B or 6C, please initial here		INITIALS	
7. PROPERTY ADDRESS INCLUDING NAME OF SUBDIVISION, LOT AND BLOCK NO., AND ZIP CODE				6B. RACE/NATIONAL ORIGIN		6C. SEX	
				<input type="checkbox"/> AMERICAN INDIAN ALASKAN NATIVE <input type="checkbox"/> ASIAN, PACIFIC ISLANDER <input type="checkbox"/> BLACK <input type="checkbox"/> HISPANIC <input type="checkbox"/> WHITE <input type="checkbox"/> OTHER (Specify)		<input type="checkbox"/> FEMALE <input type="checkbox"/> MALE	
7. PROPERTY ADDRESS INCLUDING NAME OF SUBDIVISION, LOT AND BLOCK NO., AND ZIP CODE				8A. LOAN AMOUNT		8B. INTEREST RATE	
				8C. PROPOSED MATURITY		8D. PERCENT	
				DISCOUNT: (Only if veteran to pay under 38 U.S.C. 1803 (c) (3) (C) or (D))			
The undersigned veteran and lender hereby apply to the Administrator of Veterans' Affairs for Guaranty of the loan described here under Section 1810, Chapter 37, Title 38, United States Code to the full extent permitted by the veteran's available entitlement and severally agree that the Regulations promulgated pursuant to Chapter 37, and in effect on the date of the loan shall govern the rights, duties, and liabilities of the parties.							
SECTION I-PURPOSE, AMOUNT, TERMS OF AND SECURITY FOR PROPOSED LOAN							
9. PURPOSE OF LOAN-TO:							
<input type="checkbox"/> PURCHASE EXISTING HOME PREVIOUSLY OCCUPIED <input type="checkbox"/> CONSTRUCT A HOME-PROCEEDS TO BE PAID OUT DURING CONSTRUCTION <input type="checkbox"/> PURCHASE EXISTING HOME NOT PREVIOUSLY OCCUPIED <input type="checkbox"/> PURCHASE NEW CONDOMINIUM UNIT <input type="checkbox"/> PURCHASE EXISTING CONDOMINIUM UNIT							
10. TITLE WILL BE VESTED IN:				11. LIEN			
<input type="checkbox"/> VETERAN <input type="checkbox"/> VETERAN AND SPOUSE <input type="checkbox"/> OTHER (Specify)				<input type="checkbox"/> 1ST MORTGAGE <input type="checkbox"/> OTHER (Specify)			
12. ESTATE WILL BE				13. IS THERE A MANDATORY HOMEOWNERS ASSOCIATION?			
<input type="checkbox"/> FEE SIMPLE <input type="checkbox"/> LEASEHOLD (Show expiration date)				<input type="checkbox"/> YES <input type="checkbox"/> NO (If "YES", complete Item 14F)			
14. ESTIMATED TAXES, INSURANCE AND ASSESSMENTS				15. ESTIMATED MONTHLY PAYMENT			
A. ANNUAL TAXES		\$		A. PRINCIPAL AND INTEREST		\$	
B. AMOUNT OF HAZARD INSURANCE ON SECURITY				B. TAXES AND INSURANCE DEPOSITS			
C. ANNUAL HAZARD INSURANCE PREMIUMS				C. OTHER			
D. ANNUAL SPECIAL ASSESSMENT PAYMENT							
E. UNPAID SPECIAL ASSESSMENT BALANCE							
F. ANNUAL MAINTENANCE ASSESSMENT				D.		TOTAL \$	
SECTION II - PERSONAL AND FINANCIAL STATUS OF VETERAN							
16. PLEASE CHECK THE APPROPRIATE BOXES. IF ONE OR MORE ARE CHECKED, ITEMS 18B, 21, 22 AND 23 MUST INCLUDE INFORMATION CONCERNING THE VETERAN'S SPOUSE (OR FORMER SPOUSE IF BOX "D" IS CHECKED). IF NO BOXES ARE CHECKED, NO INFORMATION CONCERNING THE SPOUSE NEED BE FURNISHED.							
<input type="checkbox"/> A. THE SPOUSE WILL BE JOINTLY OBLIGATED WITH THE VETERAN ON THE LOAN				<input type="checkbox"/> B. THE VETERAN IS RELYING ON THE SPOUSE'S INCOME AS A BASIS FOR REPAYMENT OF THE LOAN			
<input type="checkbox"/> C. THE VETERAN IS MARRIED AND THE PROPERTY TO SECURE THE LOAN IS LOCATED IN A COMMUNITY PROPERTY STATE				<input type="checkbox"/> D. THE VETERAN IS RELYING ON ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE PAYMENTS FROM A SPOUSE OR FORMER SPOUSE AS A BASIS FOR REPAYMENT OF THE LOAN			
17A. MARITAL STATUS OF VETERAN		17B. MARITAL STATUS OF CO-BORROWER OTHER THAN VETERAN'S SPOUSE		17C. MONTHLY CHILD SUPPORT OBLIGATION		17D. MONTHLY ALIMONY OBLIGATION	
<input type="checkbox"/> MARRIED <input type="checkbox"/> UNMARRIED <input type="checkbox"/> SEPARATED		<input type="checkbox"/> MARRIED <input type="checkbox"/> UNMARRIED <input type="checkbox"/> SEPARATED		\$		\$	
19. NAME AND ADDRESS OF NEAREST LIVING RELATIVE (Include telephone number, if available)				20A. MONTHLY PAYMENT ON RENTED PREMISES VETERAN NOW OCCUPIES		20B. UTILITIES INCLUDED?	
				\$		<input type="checkbox"/> YES <input type="checkbox"/> NO	
21. ASSETS				22. LIABILITIES (Itemize all debts)			
A. CASH (Including deposit on purchase)		\$		NAME OF CREDITOR		MO. PAYMENT	
B. SAVINGS BONDS-OTHER SECURITIES						\$	
C. REAL ESTATE OWNED							
D. AUTO							
E. FURNITURE AND HOUSEHOLD GOODS							
F. OTHER (Use separate sheet, if necessary)							
G. TOTAL		\$		JOB-RELATED EXPENSE (Specify)		TOTAL \$	
23. INCOME AND OCCUPATIONAL STATUS				24. ESTIMATED TOTAL COST			
ITEM		VETERAN		SPOUSE		ITEM	
						AMOUNT	
A. OCCUPATION						A. PURCHASE EXISTING HOME	
						\$	
B. NAME OF EMPLOYER						B. ALTERATIONS, IMPROVEMENTS, REPAIRS	
C. NUMBER OF YEARS EMPLOYED						C. CONSTRUCTION	
D. GROSS PAY		MONTHLY HOURLY		MONTHLY HOURLY		D. LAND (If acquired separately)	
\$		\$		\$			
E. OTHER INCOME (Disclosure of child support, alimony and separate maintenance income is optional)		\$		\$		E. PURCHASE OF CONDOMINIUM UNIT	
						F. PREPAID ITEMS	
						G. ESTIMATED CLOSING COST	
						H. DISCOUNT (Only if veteran permitted to pay)	
						I. TOTAL COST (Add Items 24A through 24H)	
						J. LESS CASH FROM VETERAN	
						K. LESS OTHER CREDITS	
						L. AMOUNT OF LOAN	
						\$	
NOTE - IF LAND ACQUIRED BY SEPARATE TRANSACTION, COMPLETE ITEMS 25A AND 25B.				25A. DATE ACQUIRED		25B. UNPAID BALANCE	
						\$	
READ CERTIFICATIONS ON REVERSE CAREFULLY							

SECTION III – LENDER'S CERTIFICATIONS *(Must be signed by lender)*

The undersigned lender makes the following certifications to induce the Veterans Administration to issue a certificate of commitment to guarantee the subject loan:

- 26A. The information furnished in Section I is true, accurate and complete.
- 26B. The information contained in Section II was obtained directly from the veteran by a full-time employee of the undersigned lender or its duly authorized agent and is true to the best of the lender's knowledge and belief.
- 26C. The credit report submitted on the subject veteran (and spouse, if any) was ordered by the undersigned lender or its duly authorized agent directly from the credit bureau which prepared the report and was received directly from said credit bureau.
- 26D. The verification of employment and verification of deposits were requested and received by the lender or its duly authorized agent without passing through the hands of any third persons and are true to the best of the lender's knowledge and belief.
- 26E. This application was signed by the veteran after Sections I, II and IV were completed.
- 26F. This proposed loan to the named veteran meets the income and credit requirements of the governing law in the judgment of the undersigned.
- 26G. The names and functions of any duly authorized agents who developed on behalf of the lender any of the information or supporting credit data submitted are as follows:

NAME	ADDRESS	FUNCTION
(1)		(e.g., obtained information in Sec. II; ordered credit report, verification of employment, verification of deposits, etc.)
(2)		
(3)		

(Check box if all information and supporting credit data were obtained directly by the lender.)

- 26H. The undersigned lender understands and agrees that it is responsible for the acts of agents identified in Item 26G as to the functions with which they are identified.
- 26I. The proposed loan conforms otherwise with the applicable provisions of Title 38, U.S. Code, and of the regulations concerning guaranty or insurance of loans to veterans.

27. DATE	28. NAME OF LENDER	29. TELEPHONE NO. <i>(Include area code)</i>	30. SIGNATURE AND TITLE OF OFFICER OF LENDER
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PRIVACY ACT INFORMATION: No loan may be approved unless a complete application form is received (38 U.S.C. 1810). Failure to provide the information will deprive VA of data needed in reaching decisions which could affect you. Any disclosure of information outside VA will only be made as permitted by law.

SECTION IV – VETERAN'S CERTIFICATIONS *(Must be signed by veteran)*

31. As a GI home loan borrower you will be legally obligated to make the mortgage payments called for by your mortgage loan contract. The fact that you dispose of your property after the loan has been made **WILL NOT RELIEVE YOU OF LIABILITY FOR MAKING THESE PAYMENTS.**

Some GI home buyers have the mistaken impression that if they sell their homes when they move to another locality, or dispose of it for any other reason, they are no longer liable for the mortgage payments and that liability for these payments is solely that of the new owners. Even though the new owner may agree in writing to assume liability for your mortgage payments, this assumption agreement will not relieve you from liability to the holder of the note which you signed when you obtained the loan to buy the property. Also, unless you are able to sell the property to a credit-worthy obligor who is acceptable to the VA and who will assume the payment of your obligation to the lender and the Veterans Administration, you will not be relieved from liability to repay any guaranty claim which the VA may be required to pay your lender on account of default in your loan payments. The amount of any such claim payment will be a debt owed by you to the Federal Government. This debt will be the object of established collection procedures.

Payment of the loan in full ordinarily is the way in which continuing liability on a mortgage note is ended. Therefore, if you expect to move from the area in which you are now considering the purchase of a home and should you be unable to sell such home with the purchaser obtaining new financing to pay off your loan you should understand that you may continue to be liable to the holder of your mortgage and to the Veterans Administration.

I, THE UNDERSIGNED VETERAN, CERTIFY THAT:

- a. I have read and understand the foregoing concerning my liability on the loan.
- b. I now actually occupy the above-described property as my home or intend to move into and occupy said property as my home within a reasonable period of time.
- c. I have been informed that \$ _____ is the reasonable value of the property as determined by the VA.

IF THE CONTRACT PRICE OR COST EXCEEDS THE VA REASONABLE VALUE, COMPLETE EITHER ITEM d. OR e., WHICHEVER IS APPLICABLE.

d. I was aware of this valuation when I signed my contract and I have paid or will pay in cash from my own resources at or prior to loan closing a sum equal to the difference between the contract purchase price or cost and the VA reasonable value. I do not and will not have outstanding after loan closing any unpaid contractual obligation on account of such cash payment.

e. I was not aware of this valuation when I signed my contract but have elected to complete the transaction at the contract purchase price or cost. I have paid or will pay in cash from my own resources at or prior to loan closing a sum equal to the difference between the contract purchase price or cost and the VA reasonable value. I do not and will not have outstanding after loan closing any unpaid contractual obligation on account of such cash payment.

f. Neither I, nor anyone authorized to act for me, will refuse to sell or rent, after the making of a bona fide offer, or refuse to negotiate for the sale or rental of, or otherwise make unavailable or deny the dwelling or property covered by this loan to any person because of race, color, religion, sex or national origin. I recognize that any restrictive covenant on this property relating to race, color, religion, sex or national origin is illegal and void and civil action for preventive relief may be brought by the Attorney General of the United States in any appropriate U.S. District Court against any person responsible for the violation of the applicable law.

g. The foregoing information contained in these certifications and in Section II of this application is true and complete to the best of my knowledge and belief.

READ CERTIFICATIONS CAREFULLY – DO NOT SIGN UNLESS APPLICATION IS FULLY COMPLETED

32. DATE	33. SIGNATURE OF VETERAN <i>(Before signing, review accuracy of application and certifications.)</i>
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FEDERAL STATUTES PROVIDE SEVERE PENALTIES FOR ANY FRAUD, INTENTIONAL MISREPRESENTATION, OR CRIMINAL CONNIVANCE OR CONSPIRACY PURPOSED TO INFLUENCE THE ISSUANCE OF ANY GUARANTY OR INSURANCE BY THE ADMINISTRATOR.

REQUEST FOR VERIFICATION OF DEPOSIT

INSTRUCTIONS: *LENDER* - Complete Items 1 through 7. Have applicant complete Items 8 and 9. Forward directly to bank or other depository named in Item 1.
BANK or DEPOSITORY - Please complete Items 10 through 13. Return directly to Lender named in Item 2.

PART I - REQUEST

1. TO: (Name and Address of Bank or other Depository)	2. FROM: (Name and Address of Lender)
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3. I certify that this verification has been sent directly to the bank or other depository and has not passed through the hands of the applicant or any other interested party.	4. Title:	5. Date:
		6. FHA or VA Number:

Signature of Lender:

7. STATEMENT OF APPLICANT:

7A. Name and Address of Applicant:	7B. TYPE OF ACCOUNT	BALANCE	ACCOUNT NUMBER
	CHECKING	\$	
	SAVINGS	\$	
	CERTIFICATE OF DEPOSIT	\$	
8. I have applied for a mortgage loan and stated that I maintain account(s) with the bank or other depository named in Item 1. My signature below authorizes that bank or other depository to furnish the lender named in Item 2 the information set forth in Part II. Your response is solely a matter of courtesy for which no responsibility is attached to your institution or any of your officers.	7C. TYPE OF LOAN	BALANCE	ACCOUNT NUMBER
	SECURED	\$	
	UNSECURED	\$	
9. Date:			

Signature of Applicant

PART II - VERIFICATION

10A. Does Applicant have any outstanding loans? <input type="checkbox"/> Yes <input type="checkbox"/> No (If Yes, enter total in Item 10B.)			CURRENT STATUS OF ACCOUNTS			
10B. TYPE OF LOAN	MONTHLY PAYMENT	PRESENT BALANCE	11A. Is account less than two months old? (If Yes, give date account was opened in Item 12B)	CHECKING	SAVINGS	CERT. of DEPOSIT
				<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
SECURED	\$	\$	11B. Date the account was opened.			
UNSECURED	\$	\$	11C. Present Balance	\$	\$	\$
10C. Payment Experience: <input type="checkbox"/> Favorable <input type="checkbox"/> Unfavorable (If Unfavorable, explain in Remarks.)			11D. Is account other than individual, e.g., Joint or Trust? (If Yes, explain in Remarks.)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
			11E. Is account satisfactory?	<input type="checkbox"/> Yes <input type="checkbox"/> No		

12. REMARKS:

The above information is provided in response to your request.

13A. Signature of Official of Bank or other Depository:	13B. Title:	13C. Date:
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THIS INFORMATION IS FOR THE SOLE PURPOSE OF ASSISTING THE APPLICANT IN OBTAINING A MORTGAGE LOAN.

RETURN DIRECTLY TO LENDER

VETERANS ADMINISTRATION
 and
 U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 FEDERAL HOUSING ADMINISTRATION
REQUEST FOR VERIFICATION OF EMPLOYMENT

INSTRUCTIONS: Lender – Complete Items 1 through 6. Have applicant complete Items 7 and 8. Forward the completed form directly to the employer named in Item 1.
 Employer – Complete Items 9A through 15 and return form directly to lender named in Item 2.

PART I REQUEST

1. TO: (Name and Address of Employer):		2. FROM: (Name and Address of Lender):	
3. Signature of Lender:	4. Title of Lender:	5. Date:	6. HUD-FHA or VA Number:
I certify that this verification has been sent directly to the employer and has not passed through the hands of the applicant or any other interested party.		I have applied for a mortgage loan and stated that I am employed by you. My signature below authorizes verification of this information.	
7. Name and Address of Applicant:		8. Employee's Identification Number: _____ _____ Signature of applicant	

PART II VERIFICATION

9A. Is applicant now employed by you? <input type="checkbox"/> Yes <input type="checkbox"/> No	10A. Position or Job Title:	11. TO BE COMPLETED BY MILITARY PERSONNEL ONLY	
9B. Present Base Pay is \$ _____ This amount is paid: <input type="checkbox"/> Annually <input type="checkbox"/> Hourly <input type="checkbox"/> Monthly <input type="checkbox"/> Other (Specify) <input type="checkbox"/> Weekly		Pay Grade:	
9C. EARNINGS LAST 12 MONTHS	10B. Length of Applicant's employment:	Base Pay	\$
Amount \$		Rations	\$
Basic Earnings \$	10C. Probability of continued employment:	Flight or Hazard	\$
Normal Hours worked per Week:		Clothing	\$
Overtime Earnings \$ <input type="checkbox"/> Regular <input type="checkbox"/> Temporary	10D. Date Applicant left:	Quarters	\$
Other Income \$ <input type="checkbox"/> Regular <input type="checkbox"/> Temporary	10E. Reason for leaving:	Pro-Pay	\$
		Overseas or Combat	\$

12. REMARKS:

13. Signature of Employer:	14. Title of Employer:	15. Date:
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INSPECTIONS WHICH MAY BE REQUIRED
BY FHA/VA OR YOUR LOCAL LENDER

FOR FHA/VA MORTGAGES :

- APPRAISAL TO DETERMINE VALUE AND TO SPECIFY ANY WORK TO BE DONE (BY SELLER) BEFORE PASSING
- LEAD PAINT INSPECTION (FOR OLDER HOMES)
- TERMITE INSPECTION (ALL VA LOANS)

YOU MAY WISH TO HAVE THE CITY OR COUNTY CODE INSPECTION DEPARTMENT CHECK THE HOUSE TO MAKE SURE THERE ARE NO HOUSING CODE VIOLATIONS. BE SURE YOUR PURCHASE AGREEMENT ALLOWS FOR A REFUND OF YOUR DEPOSIT, IF SUCH AN INSPECTION UNCOVERS SERIOUS PROBLEMS.

WHERE TO GO FOR HELP IN GETTING A MORTGAGE

IF YOU FEEL THAT A PARTICULAR LENDER HAS REJECTED YOUR MORTGAGE APPLICATION FOR REASONS YOU DON'T THINK ARE VALID, GET IN TOUCH WITH ONE OF THE FOLLOWING ORGANIZATIONS.

- YOUR LOCAL SAVINGS (AND LOAN) LEAGUE OR MORTGAGE BANKERS' ASSOCIATION
- THE FEDERAL RESERVE BANK (CONSUMER AFFAIRS DIVISION)

5

THE CLOSING PROCESS

- **WHAT TO DO BEFORE THE CLOSING**
- **WHAT IS A CLOSING**
- **WHAT HAPPENS AT A CLOSING**
- **WHAT DO CLOSING COSTS INCLUDE**
- **BECOMING THE OWNER**

BEFORE YOU GO TO THE CLOSING, ASK YOURSELF . . .

- ARE ALL NECESSARY INSPECTIONS DONE?
- ARE ALL REQUIRED REPAIRS COMPLETED?
- IS YOUR LAWYER SATISFIED THAT TITLE TO THE PROPERTY IS CLEAR?
- HAVE YOU AN INSURANCE POLICY OR BINDER ON THE HOME? WILL IT BE IN EFFECT ON THE DAY YOU CLOSE?
- DO YOU KNOW HOW MUCH THE CLOSING COSTS WILL BE?
- DO YOU HAVE A CERTIFIED CHECK TO PAY FOR THE CLOSING COSTS?
- DO YOU HAVE THE RIGHT TIME, DATE, PLACE OF THE CLOSING?

THIS SECTION INCLUDES:

- What to do before the closing
- What is a closing
- What happens at the closing
- Becoming the owner

YOU WILL WANT TO CHECK APPENDIX 5 FOR THE FOLLOWING:

- Closing process
- Sample mortgages and deeds
- Typical closing costs

YOU WILL WANT TO CHECK THE DEFINITIONS SECTION FOR DEFINITIONS OF KEY WORDS.

THE CLOSING PROCESS

WHAT TO DO BEFORE THE CLOSING

- Inspect the house one more time to make sure everything is the way you expect it to be. If there has been any damage to the property the seller must fix it *before* the closing. (Your Purchase Agreement should clearly state this.)
- Make sure the seller (and all his furnishings and trash) will be out of the house before your closing date. But remember, it's better not to let a house remain empty for too long.
- Call your mover to confirm the moving date. Find out if he needs a deposit, and make sure you will have enough money to pay him.
- Give your present landlord plenty of notice (at least 30 days). Check your lease.
- Notify the gas, electric, phone and fuel companies of your move so they can shut off service in your present home and turn it on in your new one.
- Check with the lender (or closing agent) to find out how much money you will need for "closing costs." Federal law entitles you to know at least 24 hours before the closing what charges you will have to pay, including those which were not disclosed on your RESPA statement from the lender (p. 14).
- Check with your lawyer to make sure he or she can go along with you to the closing (unless you are represented by a title insurance company).

BE SURE YOU HAVE . . .

- The right TIME, DATE, AND PLACE of the closing
- A paid insurance policy (or binder) for the house
- Any receipts for other items you may already have paid for, such as your deposit on the house, mortgage application fees, or inspection fees
- ENOUGH MONEY for all the closing costs (it's wise to bring *more* than the lender says) in a CERTIFIED CHECK

WHAT IS A "CLOSING"

A TYPICAL CLOSING is a meeting between the buyer(s), seller(s), representatives or agents for the lender (and title insurance company in some cases) and the real estate broker. THE PURPOSE OF THE MEETING IS TO TRANSFER TITLE (OWNERSHIP) OF THE PROPERTY FROM THE SELLER TO YOU, THE BUYER.

In some states the broker may represent both you and the seller; or the closing process may be handled by an "escrow agent."



WHAT HAPPENS AT THE CLOSING?

- The lender's agent will ask for your paid Insurance Policy (or binder) on the house.
- The agent will list the *adjustments* (what you owe the seller: remainder of the down payment, pre-paid taxes, etc.; and what the seller owes you: unpaid taxes, pre-paid rents, etc.).
- You will sign the *mortgage* or *deed of trust* (the legal document giving the lender the right to take back your property if you fail to make your mortgage payments).
- You will also sign the *mortgage note* (the promise to repay the loan in regular monthly payments of a certain amount).
- You will then be "loaned" the money to pay the seller for the house.
- The *Title* (proof of ownership of the property) passes from the seller to you, usually in the form of a *Deed* (the document that transfers the title) signed by the seller.
- The lender's agent will collect the "closing costs" from you, and give you a *Loan Disclosure Statement* (a list of all the items you have paid for. Be sure to keep this.)
- The deed and mortgage will then be *recorded* (put on file) in the town or county Registry of Deeds.

CHECK THE APPENDIX FOR SAMPLE MORTGAGES AND DEEDS

NOW THAT YOU KNOW WHAT HAPPENS AT A CLOSING, YOU'LL WANT TO KNOW WHAT IT COSTS . . .

CLOSING COSTS CAN BE EXPENSIVE

THE AMOUNT OF CLOSING COSTS DIFFERS FROM PLACE TO PLACE.

CHECK THE APPENDIX FOR A CHECKLIST OF TYPICAL COSTS

- Closing costs can add as much as 2-10% to the cost of buying your home.

EXAMPLE

A \$30,000 house may have closing costs ranging from \$600 to \$3,000.

- Federal law requires your lender to provide you with a "good faith estimate" of your closing costs. Normally, you will receive this soon after your loan application has been submitted to the lender (RESPA).
- Since most closing costs cannot usually be paid for by a personal check, be sure you bring a CERTIFIED CHECK with you to the closing.

WHAT DO CLOSING COSTS INCLUDE? (Lawyer's fees, title insurance, mortgage application fees, appraisal fees, real estate taxes, and other costs *over* the purchase price of the property).

SOME TYPICAL ITEMS ARE:

- Legal Fees – what the lender charges for preparing and recording legal documents, searching the title, and other services performed to *protect the lender's interests*.
- Origination Fee – lender's charge to make the loan (usually 1% of the mortgage).
- Appraisal Fees – charge by the lender for an *inspection* of the property to determine its value. (FHA and VA appraisal fees are fixed by law.)
- Inspection Fees – cost of any other inspections required by local housing codes, government agencies, or individual lenders, such as termite or lead paint inspections (if you haven't already paid for them yourself).
- Mortgage Insurance – fee to the company or government agency which *insures the loan* in case you fail to make your payments.
- Credit Report – all lenders require a credit history of the buyer; this may be included in the application fee.
- Application Fee – the charge by the lender for *processing your loan application*.
- Survey Fees – the lender may require a registered survey or a map showing the location of the house and the boundaries of the property.

THERE MAY ALSO BE . . .

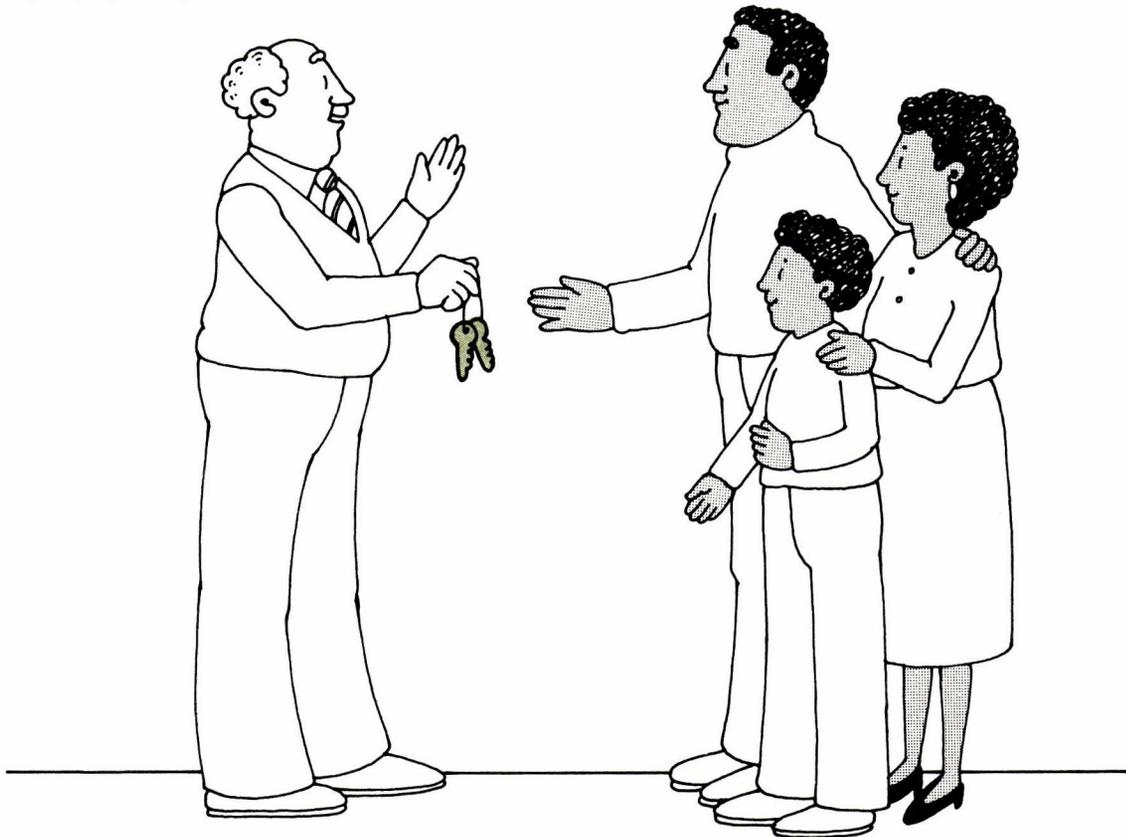
- *real estate taxes or town service charges* (which might include a special *assessment* for new sidewalks or sewer improvements, for example). These are paid in advance and held in a special *impound* or *escrow* account by the lender.
- home insurance and mortgage insurance premiums paid several months in advance and also held by the lender.
- interest charges from the date of the closing to the date of your first mortgage payment.

These advance payments are called *pre-payable* items and will also appear on your Loan Disclosure Statement

When you have paid all the closing costs, and when the Deed and Mortgage are recorded, get the keys from the seller – YOU NOW OWN THE HOME

CHECK THE DEFINITIONS SECTION FOR:

- assessment
- escrow
- impound
- pre-payables, points, etc.



APPENDIX 5

- CHECKLIST OF THINGS TO DO BEFORE CLOSING
- LIST OF TYPICAL CLOSING COSTS
- SAMPLE RESPA STATEMENT (ESTIMATED SETTLEMENT CHARGES)
- SAMPLE HUD DISCLOSURE/SETTLEMENT STATEMENT
- TRUTH-IN-LENDING DISCLOSURE STATEMENT
- SAMPLE DEED, MORTGAGE AND PROMISSORY NOTE

CLOSING CHECKLIST
(Refer to Text pp. 60-61)

BEFORE YOU GO TO THE CLOSING YOU WILL WANT TO ANSWER THE FOLLOWING QUESTIONS:

	<u>Yes</u>	<u>No</u>
1. Are all necessary inspections done? (Bring Inspection reports with you to the closing.)	<input type="checkbox"/>	<input type="checkbox"/>
2. Are all required repairs complete? (Bring certificate of completion to the closing.)	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you have a paid insurance policy or binder in effect the day of the closing?	<input type="checkbox"/>	<input type="checkbox"/>
4. Did you give your old landlord notice?	<input type="checkbox"/>	<input type="checkbox"/>
5. Have you made a final inspection of the house?	<input type="checkbox"/>	<input type="checkbox"/>
6. Have you confirmed with the seller the move-out date?	<input type="checkbox"/>	<input type="checkbox"/>
7. Have you confirmed with your mover the move-in date?	<input type="checkbox"/>	<input type="checkbox"/>
8. Have you confirmed with your mover the time of pick-up and delivery?	<input type="checkbox"/>	<input type="checkbox"/>
9. Have you confirmed with your mover the cost of the move?	<input type="checkbox"/>	<input type="checkbox"/>
10. Do you have enough money for moving?	<input type="checkbox"/>	<input type="checkbox"/>
11. Have you obtained from the lender or escrow agent the exact amount of money you will need for closing? (Ask about prepayable and other costs that didn't appear on your RESPA statement.)	<input type="checkbox"/>	<input type="checkbox"/>
12. Do you have a certified check for that amount?	<input type="checkbox"/>	<input type="checkbox"/>
13. Do you have additional cash "just in case"?	<input type="checkbox"/>	<input type="checkbox"/>
14. Have you confirmed with your lawyer or escrow agent the TIME, DATE, PLACE of the closing?	<input type="checkbox"/>	<input type="checkbox"/>
15. Do you have receipts for those items you have already paid for on the house?	<input type="checkbox"/>	<input type="checkbox"/>

TYPICAL CLOSING COSTS

This example is for a \$26,000 home with a \$25,000 insured mortgage, and a hypothetical closing date of July 15.

<u>ITEM</u>	<u>SAMPLE COST</u>
1. Title Insurance & Endorsement	\$ 320
2. Preparing, Recording and Notarizing Deed	\$ 65
3. Initial Service Charge (1% of mortgage amount)	\$ 250
4. Drawing, Notarizing and Recording Mortgage and Note	\$ 15
5. 1% Transfer Tax paid by buyer	\$ 260
6. Preparation of amortization schedule	\$ 2
 SUBTOTAL	 \$ 920

SAMPLE ADJUSTMENTS AND ESCROWS

7. First year's hazard insurance premium	\$ 100
8. Two months hazard insurance in escrow	\$ 17
9. HUD Flood Insurance ¹ (if property is located in a flood hazard area)	\$ 0
10. Escrow for real estate taxes (2 mos.)	\$ 167
11. Payment to seller for pre-paid real estate taxes for remainder of year	\$ 458
12. Adjusted interest to end of month	\$ 94
13. Two months FHA insurance	\$ 21
 SUBTOTAL	 \$ 857

OTHER²

14. Water and Sewer Bills (6 mos.)	\$ 39
15. Remaining Oil in Tank	\$ 85
 SUBTOTAL	 \$ 124
 TOTAL SETTLEMENT CHARGES	 \$ 1893

¹For information on whether your community is participating in HUD's Flood Insurance Program, you can call either of these toll-free numbers:

88 800 638-6620
800 424-8872

You must be covered by flood insurance to obtain FHA mortgage insurance if your community is participating and the property you want to buy is located in a flood hazard area.

²In communities or neighborhoods where private theft insurance is not available, you should inquire about HUD's High Crime Area Insurance Program by calling the following toll-free number: 800 638-8780.

EXAMPLE OF SETTLEMENT COSTS

THIS APPENDIX IS INCLUDED TO GIVE YOU A GENERAL IDEA OF THE TYPES OF SETTLEMENT COSTS YOU MAY ENCOUNTER DURING A CLOSING FOR AN FHA-INSURED MORTGAGE. THE EXAMPLES SHOWN ARE FOR A PROPERTY WITH A SALES PRICE (VALUE) OF ABOUT \$26,000 AND A \$25,000 FHA-INSURED MORTGAGE.

When you go to your closing, you will have to pay for a number of things. Some of these items are fairly standard such as the initial service charge (also called the Loan Origination Fee or point) which is a maximum of 1% of the mortgage amount for an FHA-insured mortgage (may be more for a conventional mortgage).

Other items, such as the adjustments you owe the seller and/or the lender, will depend on the individual property and when your closing takes place (the amount of pre-paid real estate taxes will vary depending on the date of your closing).

You should know in advance what items you will have to pay and how much they will cost so you can bring a certified check to the closing for the proper amounts. Closing and settlement costs can be surprisingly high, so you should try to estimate them early in the homebuying process. Then you can make sure you have enough money ahead of time to pay all these charges.

An example of hypothetical closing costs are given. This is an example only, and should not be used to estimate your own closing costs, since your costs will depend upon the property you're buying. In addition, settlement costs for conventional loans may include somewhat different costs, depending on the lender and the property. Check with your lender and seller on what the costs are likely to be for your own home purchase. You can also negotiate with the seller about the adjustments.

AMENDMENT TO APPLICATION

LENDER'S ESTIMATE OF SETTLEMENT CHARGES

Date _____

NOTE: You may apply for the loan in your own name or you may wish your spouse (if any) to be a co-applicant. There is no requirement for your spouse (if any) to apply or otherwise become obligated to repay the debt except to the extent that your spouse's income and/or assets are necessary to qualify you for the loan. However, your spouse may be required to execute the security instrument (i.e., Mortgage or Deed of Trust.)

1. Title will be vested in what names? _____
2. How will title be held? (Tenancy) _____
3. Note will be signed by? _____

"GOOD FAITH ESTIMATES"

This list gives an estimate of most of the charges you will have to pay at the settlement of your loan. The figures shown, as estimates, are subject to change. The figures shown are computed based on sales price and proposed mortgage amount as stated on your loan application. The numbers listed on the left correspond with those on the HUD-1 Uniform Settlement Form you will be required to execute at settlement. For further information about these charges, consult your Special Information Booklet.

Estimated Settlement Charges

801	Loan Origination Fee	\$ _____
805	Inspection Fee	_____
806	Mortgage Application Fee	_____
901*	Interest	_____
902	Mortgage Insurance Premium	_____
1107	Attorney's Fees	_____
1108	Title Insurance	_____
1201	Recording Fees	_____
1202	City/county tax/stamps	_____
1203	State tax/stamps	_____
1301	Survey	_____

*This interest calculation represents the greatest amount of interest you could be required to pay at settlement. The actual amount will be determined by which day of the month your settlement is conducted. To determine the amount you will have to pay, multiply the number of days remaining in the month in which you settle times the daily interest charge for your loan.

"THIS FORM DOES NOT COVER ALL ITEMS YOU WILL BE REQUIRED TO PAY IN CASH AT SETTLEMENT, FOR EXAMPLE, DEPOSIT IN ESCROW FOR REAL ESTATE TAXES AND INSURANCE. YOU MAY WISH TO INQUIRE AS TO THE AMOUNTS OF SUCH OTHER ITEMS. YOU MAY BE REQUIRED TO PAY OTHER ADDITIONAL AMOUNTS AT SETTLEMENT."

In accordance with the Real Estate Settlement Procedure Act of 1974, I/we acknowledge receipt of the Settlement Costs Booklet. I/we also acknowledge receipt of the notice required by the Equal Credit Opportunity Act which is located on the inside back cover of the Settlement Cost Booklet. By signing this form, we acknowledge receipt this date of a duplicate copy of this form including the "Good Faith Estimates" of settlement costs, the Settlement Costs Booklet with the notice required by the Equal Credit Opportunity Act.

Applicant

Co-applicant

A. U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SETTLEMENT STATEMENT	B. TYPE OF LOAN 1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FmHA 3. <input type="checkbox"/> CONV. UNINS. 4. <input type="checkbox"/> VA 5. <input type="checkbox"/> 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 OF BORROWER:	E. NAME OF SELLER:	F. NAME OF LENDER:
G. PROPERTY LOCATION;	H. SETTLEMENT AGENT:	I. SETTLEMENT DATE:
	PLACE OF SETTLEMENT:	

J. SUMMARY OF BORROWER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:	
101. Contract sales price	
102. Personal property	
103. Settlement charges to borrower (line 1400)	
104.	
105.	
<i>Adjustments for items paid by seller in advance</i>	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109.	
110.	
111.	
112.	
120. GROSS AMOUNT DUE FROM BORROWER	
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:	
201. Deposit or earnest money	
202. Principal amount of new loan(s)	
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
<i>Adjustments for items unpaid by seller</i>	
210. City/town taxes to	
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. TOTAL PAID BY/FOR BORROWER	
300. CASH AT SETTLEMENT FROM/TO BORROWER	
301. Gross amount due from borrower (line 120)	
302. Less amounts paid by/for borrower (line 220) ()	
303. CASH (<input type="checkbox"/> FROM) (<input type="checkbox"/> TO) BORROWER	

K. SUMMARY OF SELLER'S TRANSACTION	
400. GROSS AMOUNT DUE TO SELLER:	
401. Contract sales price	
402. Personal property	
403.	
404.	
405.	
<i>Adjustments for items paid by seller in advance</i>	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409.	
410.	
411.	
412.	
420. GROSS AMOUNT DUE TO SELLER	
500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
501. Excess deposit (see instructions)	
502. Settlement charges to seller (line 1400)	
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
<i>Adjustments for items unpaid by seller</i>	
510. City/town taxes to	
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. TOTAL REDUCTION AMOUNT DUE SELLER	
600. CASH AT SETTLEMENT TO/FROM SELLER	
601. Gross amount due to seller (line 420)	
602. Less reductions in amount due seller (line 520) ()	
603. CASH (<input type="checkbox"/> TO) (<input type="checkbox"/> FROM) SELLER	

L. SETTLEMENT CHARGES				PAID FROM BORROWER'S 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.					
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)					

TRUTH-IN-LENDING DISCLOSURE STATEMENT

Name(s) _____ Loan Number _____

Mailing Address _____ Type Loan: VA _____ FHA _____ CONV. _____

Settlement Date on which FINANCE CHARGE begins to accrue: _____

1. hereinafter called Lender, will lend to the Borrower the amount of \$ _____. Borrower will obligate himself to pay said principal amount plus interest at _____% per annum. Payments for principal and FINANCE CHARGE, excluding mortgage insurance premium, will consist of _____ monthly payments of \$ _____ (consisting of principal and interest) beginning on the first day of _____, 19_____, and due on the first day of each month thereafter through _____, 20_____. In addition, monthly payments will include additional amounts for mortgage insurance premiums, the first of which will be required on _____, 1, 19____ in the amount of \$ _____. Such payments will be made over a total of _____ months and the last monthly payment for mortgage insurance will be due on the first day of _____, and will be \$ _____. Thereafter, remaining monthly payments will be in the amount of \$ _____.

2. While most of the FINANCE CHARGE will be spread out over the life of the loan and paid as part of the aforesaid monthly installments, certain FINANCE CHARGE will be prepaid at closing and consist of the following:

- a. Origination Fee \$ _____
- b. Loan Discount paid by Borrower \$ _____
- c. Interest on Loan (_____ days) \$ _____
- d. FHA Mortgage Insurance Premium (2 months) \$ _____
- e. Private Mortgage Insurance Premium (Initial and Escrow) \$ _____
- f. Other _____ \$ _____

The TOTAL PREPAID FINANCE CHARGE: \$ _____

3. There will be certain costs to the Borrower which are not part of the FINANCE CHARGE. Among these are

- a. Recording Fees:
 - Deed of Trust/Mortgage _____ \$ _____
 - Other _____ \$ _____

4. The TOTAL FINANCE CHARGE to be paid by Borrower consists of the following:

- a. Total Interest \$ _____
- b. Total FHA Mortgage Insurance \$ _____
- c. Total Private Mortgage Insurance \$ _____

The TOTAL FINANCE CHARGE: \$ _____

5. The AMOUNT FINANCED consists of:

- a. Amount of Loan \$ _____
- b. Less Prepaid Finance Charges \$ _____
- c. Amount Financed \$ _____

6. The FINANCE CHARGE expressed as an ANNUAL PERCENTAGE RATE is _____ %

7. The total of payments is \$ _____

8. In the event of late payment, a late charge equivalent to (FHA-4%/VA-4%) of the amount due must be paid by Borrower to Lender. Further, in the event default be made in the payment of any installment under the Note and if such default is not made good prior to the due date of next installment, the entire principal balance plus accrued interest shall become due and payable without notice at the option of the Note holder.

9. Lender's security interest in this transaction is a first lien on property located at _____

more particularly described in the recorded security instrument creating said lien. Said security instrument covers all after-acquired property and future advances, the terms for which are described therein.

10. Prepayment Penalty: _____

11. Fire and extended coverage insurance in the amount of \$ _____ with loss payable clause to Lender is required as a condition of this loan. This insurance may be purchased from any insurance company subject to Lender's rejection for reasonable cause, or through Lender at a cost of \$ _____ for a _____ year term. Flood Insurance may be required as a condition of this loan.

12. We acknowledge receipt of this completed statement on _____, 19____, prior to the execution of any other documents.

(Signature of Witness) _____ (Signature of Borrower) _____
(Signature of Witness) _____ (Signature of Borrower) _____

STATE OF COLORADO
FHA FORM NO. 2105M
January 1977

DEED OF TRUST

This form is used in connection with deeds of trust insured under the one- to four-family provisions of the National Housing Act.

THIS INDENTURE, made this _____ day of _____ in the year of our Lord one thousand nine hundred and _____, between _____, whose address is _____, County of _____, State of Colorado, hereinafter referred to as the grantor, and the Public Trustee of _____ County of _____, State of Colorado, hereinafter referred to as the trustee, Witnesseth:

THAT, WHEREAS, the grantor has executed his certain promissory note, bearing even date herewith, payable to the order of _____

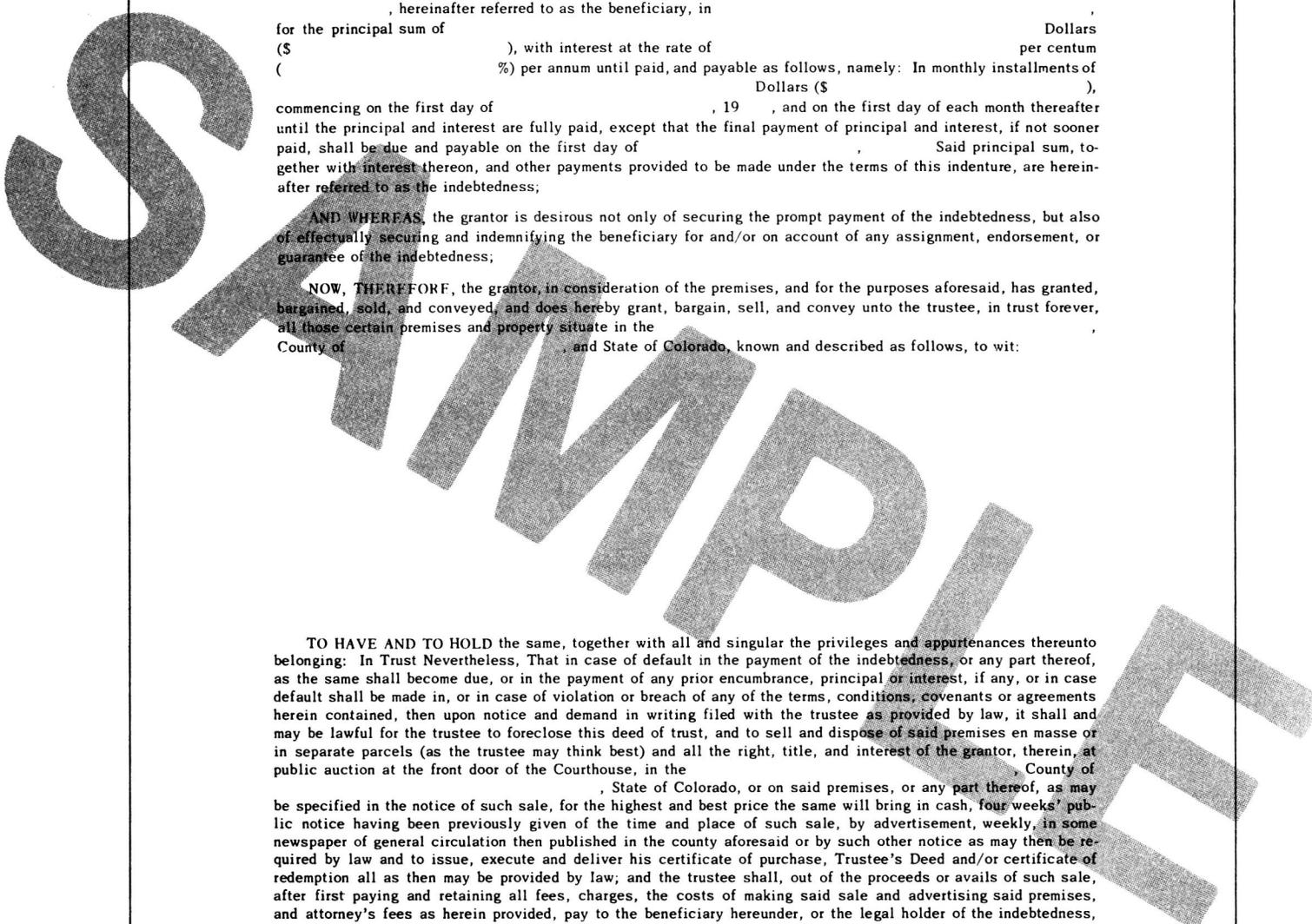
_____ hereinafter referred to as the beneficiary, in for the principal sum of _____ Dollars (\$ _____), with interest at the rate of _____ per centum (_____ %) per annum until paid, and payable as follows, namely: In monthly installments of _____ Dollars (\$ _____), commencing on the first day of _____, 19 _____, and on the first day of each month thereafter until the principal and interest are fully paid, except that the final payment of principal and interest, if not sooner paid, shall be due and payable on the first day of _____. Said principal sum, together with interest thereon, and other payments provided to be made under the terms of this indenture, are hereinafter referred to as the indebtedness;

AND WHEREAS, the grantor is desirous not only of securing the prompt payment of the indebtedness, but also of effectually securing and indemnifying the beneficiary for and/or on account of any assignment, endorsement, or guarantee of the indebtedness;

NOW, THEREFORE, the grantor, in consideration of the premises, and for the purposes aforesaid, has granted, bargained, sold, and conveyed, and does hereby grant, bargain, sell, and convey unto the trustee, in trust forever, all those certain premises and property situate in the _____ County of _____, and State of Colorado, known and described as follows, to wit:

TO HAVE AND TO HOLD the same, together with all and singular the privileges and appurtenances thereunto belonging: In Trust Nevertheless, That in case of default in the payment of the indebtedness, or any part thereof, as the same shall become due, or in the payment of any prior encumbrance, principal or interest, if any, or in case default shall be made in, or in case of violation or breach of any of the terms, conditions, covenants or agreements herein contained, then upon notice and demand in writing filed with the trustee as provided by law, it shall and may be lawful for the trustee to foreclose this deed of trust, and to sell and dispose of said premises en masse or in separate parcels (as the trustee may think best) and all the right, title, and interest of the grantor, therein, at public auction at the front door of the Courthouse, in the _____ County of _____, State of Colorado, or on said premises, or any part thereof, as may be specified in the notice of such sale, for the highest and best price the same will bring in cash, four weeks' public notice having been previously given of the time and place of such sale, by advertisement, weekly, in some newspaper of general circulation then published in the county aforesaid or by such other notice as may then be required by law and to issue, execute and deliver his certificate of purchase, Trustee's Deed and/or certificate of redemption all as then may be provided by law; and the trustee shall, out of the proceeds or avails of such sale, after first paying and retaining all fees, charges, the costs of making said sale and advertising said premises, and attorney's fees as herein provided, pay to the beneficiary hereunder, or the legal holder of the indebtedness, the amount of such indebtedness, and all moneys advanced by the beneficiary or legal holder of the indebtedness for insurance, repairs, and taxes and assessments, with interest thereon at the rate set forth in the note secured hereby, rendering the overplus, if any, unto the grantor; which sale or sales and said deed or deeds so made shall be a perpetual bar, both in law and equity, against the grantor and all other persons claiming the premises aforesaid, or any part thereof by, from, through or under the grantor. The legal holder of the indebtedness may purchase said property or any part thereof; and it shall not be obligatory upon the purchaser or purchasers at any such sale to see to the application of the purchase money. If a release deed is required, the grantor hereby agrees to pay all the expenses thereof.

And the grantor covenants and agrees to and with the trustee, that at the time of the ensembling of and delivery of these presents he is well seized of the said premises in fee simple, and has good right, full power and lawful authority to grant, bargain, sell and convey the same in manner and form aforesaid; hereby fully and absolutely



waiving and releasing all rights and claims he may have in or to said premises as a homestead exemption, under and by virtue of any act of the General Assembly of the State of Colorado now existing or which may hereafter be passed in relation thereto; and that the same are free and clear of all liens and encumbrances whatever, and the above bargained premises in the quiet and peaceable possession of the trustee, against all and every person or persons lawfully claiming or to claim the whole or any part thereof, the grantor shall and will Warrant and Forever Defend.

And the grantor, in order more fully to protect the security of this Deed of Trust, does hereby covenant and agree as follows:

1. That he will promptly pay the principal of and interest on the indebtedness evidenced by the said note, at the times and in the manner therein provided. Privilege is reserved to pay the debt in whole, or in an amount equal to one or more monthly payments on the principal that are next due on the note, on the first day of any month prior to maturity; provided, however, that written notice of an intention to exercise such privilege is given at least thirty (30) days prior to prepayment.

2. That, together with and in addition to the monthly payments of principal and interest payable under the terms of the note secured hereby, he will pay to the beneficiary, on the first day of each month until the said note is fully paid, the following sums:

(a) An amount sufficient to provide the holder hereof with funds to pay the next mortgage insurance premium if this instrument and the note secured hereby are insured, or a monthly charge (in lieu of a mortgage insurance premium) if they are held by the Secretary of Housing and Urban Development as follows:

(I) If and so long as said note of even date and this instrument are insured or are reinsured under the provisions of the National Housing Act, an amount sufficient to accumulate in the hands of the holder one (1) month prior to its due date the annual mortgage insurance premium, in order to provide such holder with funds to pay such premium to the Secretary of Housing and Urban Development pursuant to the National Housing Act, as amended, and applicable Regulations thereunder; or

(II) If and so long as said note of even date and this instrument are held by the Secretary of Housing and Urban Development, a monthly charge (in lieu of a mortgage insurance premium) which shall be in an amount equal to one-twelfth (1/12) of one-half (1/2) per centum of the average outstanding balance due on the note computed without taking into account delinquencies or prepayments;

(b) A sum equal to the ground rents, if any, next due, plus the premiums that will next become due and payable on policies of fire and other hazard insurance on the premises covered hereby, plus taxes and assessments next due on these premises (all as estimated by the beneficiary) less all sums already paid therefor divided by the number of months to elapse before one month prior to the date when such ground rents, premiums, taxes, and assessments will become delinquent, such sums to be held by the beneficiary in trust to pay said ground rents, premiums, taxes, and special assessments; and

(c) All payments mentioned in the two preceding subsections of this paragraph and all payments to be made under the note secured hereby shall be added together and the aggregate amount thereof shall be paid by the grantor each month in a single payment to be applied by the beneficiary to the following items in the order set forth:

(I) premium charges under the contract of insurance with the Secretary of Housing and Urban Development, or monthly charge (in lieu of mortgage insurance premium), as the case may be;

(II) taxes, special assessments, fire and other hazard insurance premiums;

(III) interest on the note secured hereby; and

(IV) amortization of the principal of said note.

Any deficiency in the amount of such aggregate monthly payment shall, unless made good by the grantor prior to the due date of the next such payment, constitute an event of default under this Deed of Trust. The grantee may collect a "late charge" not to exceed four cents (4¢) for each dollar (\$) of each payment more than fifteen (15) days in arrears to cover the extra expense involved in handling delinquent payments.

3. That if the total of the payments made by the grantor under (b) paragraph 2 preceding shall exceed the amount of payments actually made by the beneficiary for taxes or assessments or insurance premiums, as the case may be, such excess, if the loan is current, at the option of the grantor shall be credited by the beneficiary on subsequent payments to be made by the grantor, or refunded to the grantor. If, however, the monthly payments made by the grantor under (b) of paragraph 2 preceding shall not be sufficient to pay taxes and assessments and insurance premiums as the case may be, when the same shall become due and payable, then the grantor shall pay to the beneficiary any amount necessary to make up the deficiency, on or before the date when payment of such taxes, assessments, or insurance premiums shall be due. If at any time the grantor shall tender to the beneficiary, in accordance with the provisions of the note secured hereby, full payment of the entire indebtedness represented thereby, the beneficiary shall, in computing the amount of such indebtedness, credit to the account of the grantor all payments made under the provisions of (a) of paragraph 2 hereof, which the holder of said note has not become obligated to pay to the Secretary of Housing and Urban Development, and any balance remaining in the funds accumulated under the provisions of (b) of paragraph 2 hereof. If there shall be a default under any of the provisions of this Deed of Trust resulting in a public sale by the trustee or trustees of the premises covered hereby, or if the beneficiary acquires the property otherwise after default, the beneficiary shall apply, at the time of the commencement of such proceedings, or at the time the property is otherwise acquired, the balance then remaining in the funds accumulated under (b) of paragraph 2 preceding, as a credit against the amount of principal then remaining unpaid under said note, and shall properly adjust any payments which shall have been made under (a) of paragraph 2.

4. That he will pay all taxes, assessments, water rates, and other governmental or municipal charges, fines, or impositions, for which provision has not been made hereinbefore, and in default thereof the beneficiary may pay the same; and that he will promptly deliver the official receipts therefor to the beneficiary.

5. That he will keep the improvements now existing or hereafter erected on the said premises, insured as may be required from time to time by the beneficiary against loss by fire and other hazards, casualties, and contingencies in such amounts and for such periods as may be required by the beneficiary and will pay promptly, when due, any premiums on such insurance provisions for payment of which has not been made hereinbefore. All insurance shall be carried in companies approved by the beneficiary and the policies and renewals thereof shall be held by the beneficiary and have attached thereto loss payable clauses in favor of and in form acceptable to the beneficiary. In event of loss the grantor will give immediate notice by mail to the beneficiary, who may make proof of loss if not made promptly by the grantor, and each insurance company concerned is hereby authorized and directed to make payment for such loss directly to the beneficiary instead of to the grantor and the beneficiary jointly, and the insurance proceeds, or any part thereof, may be applied by the beneficiary at its option either to the reduction of the indebtedness hereby secured or to the restoration or repair of the property damaged. In event of foreclosure of this Deed of Trust or other transfer of title to the said premises in extinguishment of the indebtedness secured hereby, all right, title, and interest of the grantor in and to any insurance policies then in force shall pass to the purchaser or grantee.

6. That he will keep the said premises in as good order and condition as they are now and will not commit or permit any waste of the said premises, reasonable wear and tear excepted.

7. That if the premises, or any part thereof, be condemned under any power of eminent domain, or acquired for a public use, the damages, proceeds, and the consideration for such acquisition, to the extent of the full amount of indebtedness upon this Deed of Trust, and the note secured hereby remaining unpaid, are hereby assigned by the grantor to the beneficiary and shall be paid forthwith the beneficiary to be applied by it on account of the indebtedness secured hereby, whether due or not.

8. The grantor further agrees that should this Deed of Trust and the note secured hereby not be eligible for insurance under the National Housing Act within _____ from the date hereof (written statement of any officer of the Department of Housing and Urban Development or authorized agent of the Secretary of Housing and Urban Development dated subsequent to the _____ time from the date of this Deed of Trust, declining to insure said note and this Deed of Trust, being deemed conclusive proof of such ineligibility), the beneficiary or the holder of the note may, at its option, declare all sums secured hereby immediately due and payable.

9. That in the event of default in the payment of the indebtedness or any part thereof, or of a breach or violation of any of the covenants or agreements herein, then, and in that event, the whole of the indebtedness and the interest thereon to the time of sale, may at once, at the option of the beneficiary or the legal holder of the indebtedness, be declared due and payable, and the said premises to be sold in the manner and with the same effect as if the indebtedness had matured, and that if foreclosure is made by the trustee, the grantor agrees to pay the sum of _____ Dollars (\$ _____), as attorney's fees for services in connection with said foreclosure proceedings, and said attorney's fee shall be allowed and added by the trustee to the cost of foreclosure; and if foreclosure be made through the courts, a reasonable attorney's fee shall be taxed by the court as a part of the cost of such foreclosure proceedings, and any and all such attorney's fees shall be and become a part of the indebtedness secured hereby.

10. That in case of default, whereby the right of foreclosure occurs hereunder, the beneficiary or the holder of the indebtedness or certificate of sale shall at once become entitled to the possession, use and enjoyment of the property aforesaid, and to the rents, issues and profits thereof, from the accruing of such right and during the pendency of foreclosure proceedings and the period of redemption, if any there be; and such possession, use, enjoyment, rents, issues and profits shall at once be delivered to the beneficiary or the holder of the indebtedness or certificate of sale on request, and on refusal, the delivery of such possession may be enforced by the beneficiary or the holder of the indebtedness or certificate of purchase shall be entitled to a Receiver for said property, and of the rents, issues and profits thereof, after any such default, including the time covered by foreclosure proceedings and the period of redemption, if any there be, and shall be entitled thereto as a matter of right without regard to the solvency or insolvency of the grantor or of the then owner of said property and without regard to the value of the property, and such Receiver may be appointed by any court of competent jurisdiction upon ex parte application, and without notice, notice being hereby expressly waived, and the appointment of any such Receiver, on any such application without notice, being hereby consented to by the grantor for and on his own behalf of his heirs, assigns and legal representatives, and all persons claiming by, through or under him, and all rents, issues and profits, income and revenue of said property shall be applied by such Receiver according to law and the orders and directions of the court.

Notice of the exercise of any option granted herein, or in the note secured hereby, to the beneficiary is not required to be given, the grantor hereby waiving any such notice.

The covenants herein contained shall bind, and the benefits and advantages shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties hereto. Whenever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

IN WITNESS WHEREOF, the grantor has hereunto set his hand and seal on the day and year first hereinbefore written.

Signed, sealed and delivered in the presence of _____ [SEAL]
_____ [SEAL]
_____ [SEAL]
_____ [SEAL]

STATE OF COLORADO }
COUNTY OF _____ } ss:
The foregoing instrument was acknowledged before me this _____ day of _____
19____, by _____
WITNESS my hand and official seal.
My commission expires _____

[SEAL] _____ Notary Public

STATE OF COLORADO }
COUNTY OF _____ } ss.
I hereby certify that this instrument was filed for record in my office at _____ o'clock M.,
19____, and is duly recorded in book _____ page _____

Fees, \$ _____
By _____ Clerk and Recorder
_____ Deputy

FHA FORM NO. 9163
Revised June 1964

This form is used in connection with mortgages insured under Sections 203, 222 and "individual mortgages" under Sections 213, 220, 221, 233, 809 and 810 of the National Housing Act.

MORTGAGE NOTE

FHA CASE NO.

\$ _____, North Dakota,
_____ , 19 ____

FOR VALUE RECEIVED, the undersigned promise(s) to pay to

_____, or order, the principal sum of
Dollars

(\$ _____), with interest from date at the rate of
per centum (_____ %) per annum on the unpaid balance until paid. The said principal
and interest shall be payable at the office of _____

_____, in
or at such other place as the holder hereof may designate in writing, in monthly installments of
Dollars

(\$ _____), commencing on the first day of _____, 19 _____, and
on the first day of each month thereafter until the principal and interest are fully paid, except that the
final payment of principal and interest, if not sooner paid, shall be due and payable on the first day
of _____

If default be made in the payment of any installment under this note, and if the default is not made
good prior to the due date of the next such installment, the entire principal sum and accrued interest
shall at once become due and payable without notice, at the option of the holder of this note. Failure
to exercise this option shall not constitute a waiver of the right to exercise the same in the event of
any subsequent default.

Presentment, protest, and notice are hereby waived together with the benefit of any homestead,
valuation, or appraisal laws as to this debt.

FHA FORM NO. 4102-d
(CORPORATE)
Revised June, 1973

DEED OF TRUST NOTE

, Arkansas.

\$

, 19

FOR VALUE RECEIVED, the undersigned,

promise(s) to pay to

, or order,

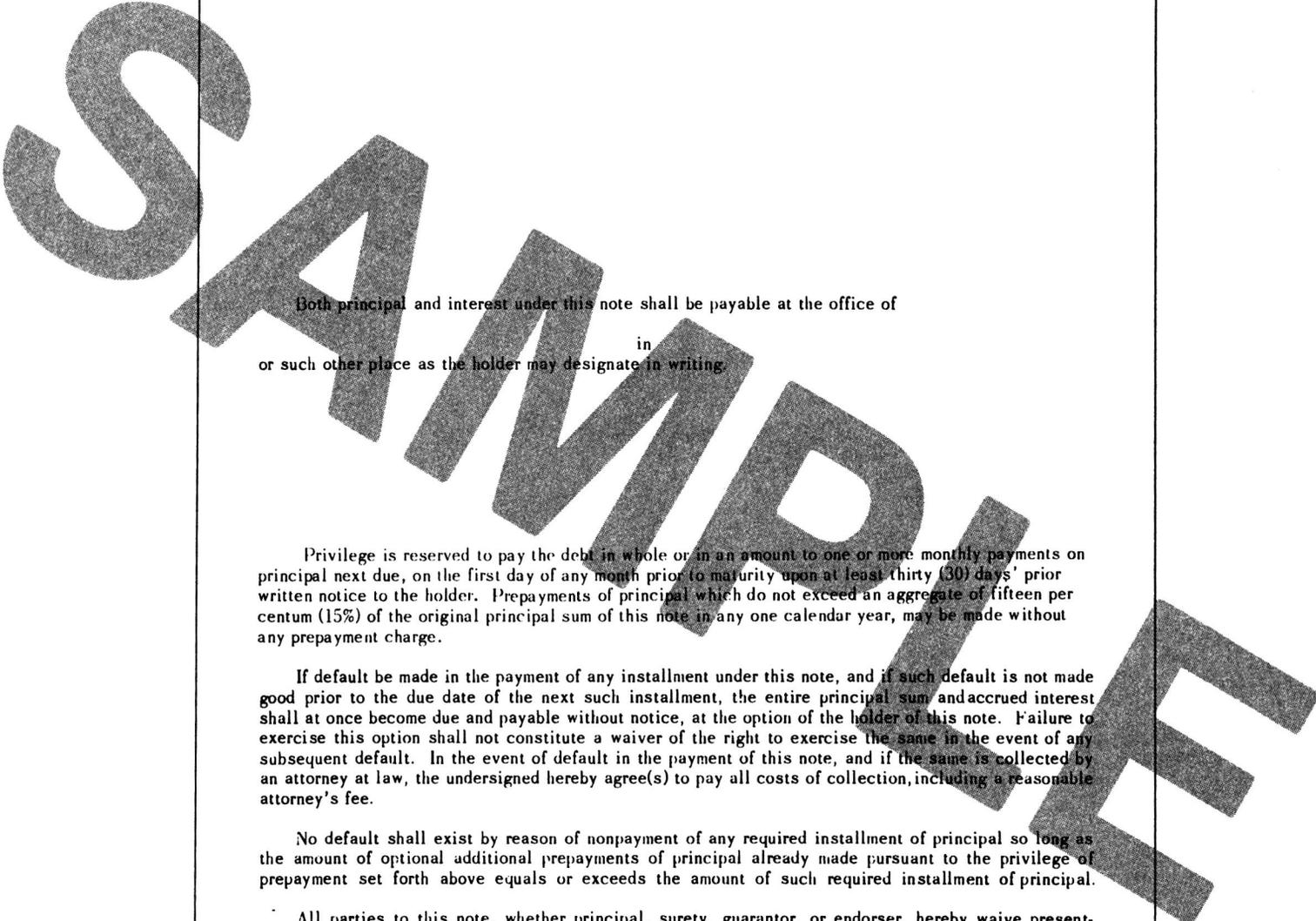
the principal sum of

Dollars (\$

), with interest from date at the rate of

per centum

(%) per annum on the unpaid balance until paid. The said principal and interest shall be payable in monthly installments as follows:



Both principal and interest under this note shall be payable at the office of

in

or such other place as the holder may designate in writing.

Privilege is reserved to pay the debt in whole or in an amount to one or more monthly payments on principal next due, on the first day of any month prior to maturity upon at least thirty (30) days' prior written notice to the holder. Prepayments of principal which do not exceed an aggregate of fifteen per centum (15%) of the original principal sum of this note in any one calendar year, may be made without any prepayment charge.

If default be made in the payment of any installment under this note, and if such default is not made good prior to the due date of the next such installment, the entire principal sum and accrued interest shall at once become due and payable without notice, at the option of the holder of this note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. In the event of default in the payment of this note, and if the same is collected by an attorney at law, the undersigned hereby agree(s) to pay all costs of collection, including a reasonable attorney's fee.

No default shall exist by reason of nonpayment of any required installment of principal so long as the amount of optional additional prepayments of principal already made pursuant to the privilege of prepayment set forth above equals or exceeds the amount of such required installment of principal.

All parties to this note, whether principal, surety, guarantor, or endorser, hereby waive presentment for payment, demand, protest, notice of protest, and notice of dishonor.

Signed and sealed this _____ day of _____, 19 _____

[CORPORATE SEAL]

by _____
President.

Attest:

Secretary.

STATE OF ARKANSAS

LOAN NO. _____

Deed Of Trust Note

TO _____

No. _____

Insured under _____ of the National Housing Act and Regulations published thereunder

In effect on _____

To the extent of advances approved by the Secretary of Housing and Urban Development acting by and through the Federal Housing Commissioner

By _____ (Authorized Agent)

Date _____

A total sum of \$ _____ has been approved for insurance hereunder by the Secretary of Housing and Urban Development acting by and through the Federal Housing Commissioner

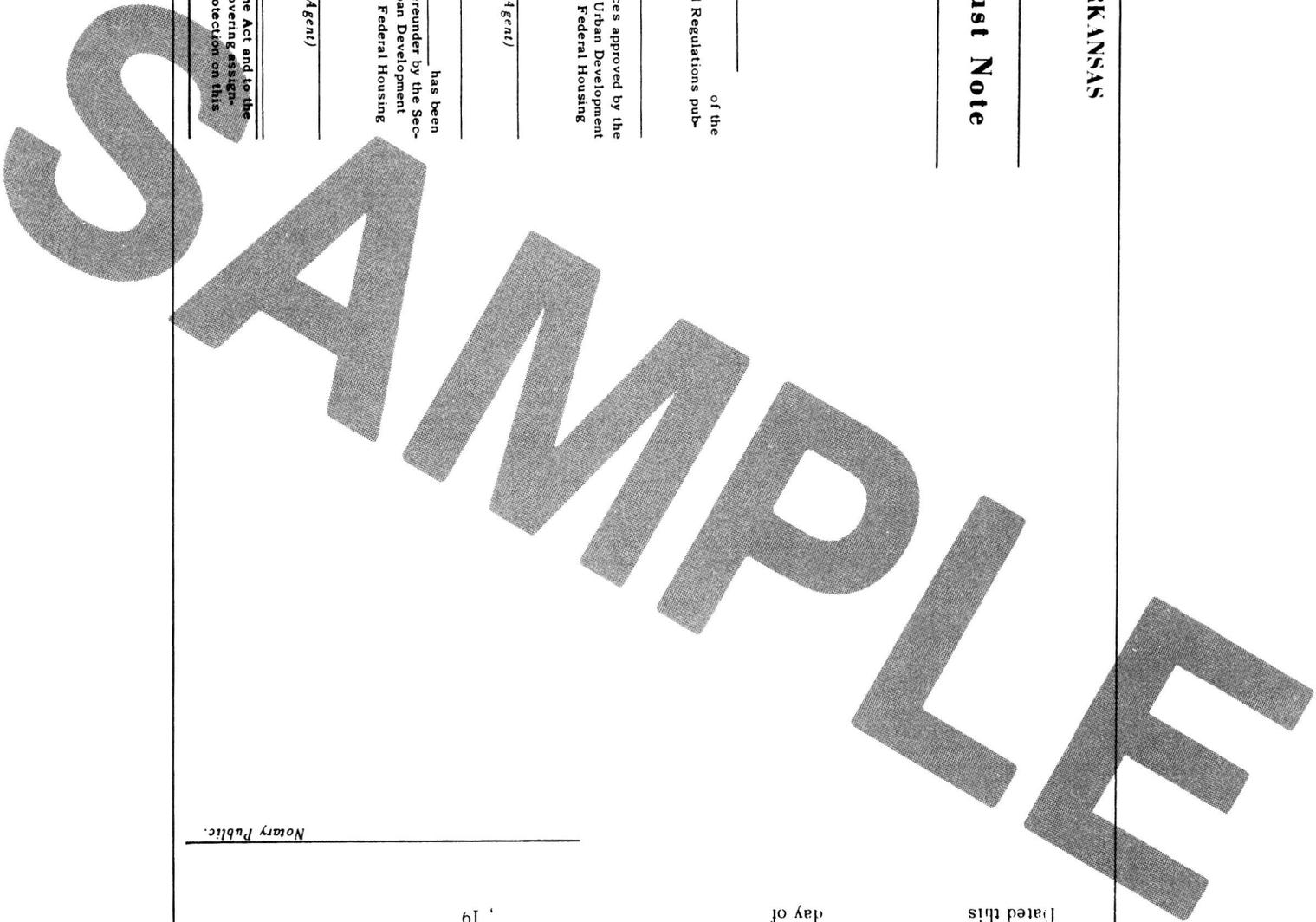
By _____ (Authorized Agent)

Date _____

Reference is made to the Act and to the Regulations thereunder covering assignments of the insurance protection on this note.

Notary Public. _____

THIS IS TO CERTIFY that this is the note described in and secured by deed of trust of even date herewith and in the same principal amount as herein stated to Trustee(s), and secured by real estate in the County of _____, State of Arkansas. _____ day of _____, 19 _____



6

MOVING IN AND MONEY MANAGEMENT

- THE MOVING PROCESS
- DEALING WITH INITIAL PROBLEMS
- MAKING YOUR MORTGAGE PAYMENTS
- MANAGING YOUR MONEY
- WHERE TO GO IF YOU NEED HELP

NOW YOU ARE THE OWNER OF THE HOUSE

MAKING THE HOUSE INTO A HOME CAN TAKE SOME TIME.

IT WILL BE EASIER IF YOU ARE PREPARED AHEAD OF TIME FOR . . .

- **Moving into the house**
- **Dealing with initial problems**
- **Making your mortgage payments**
- **Managing your money**
- **Knowing where to go for help**

DON'T FORGET TO CHECK APPENDIX 6 FOR THE FOLLOWING:

- Checklist for moving
- Different kinds of warranties to look for
- Forms for keeping track of your expenses
- Where to go for help with money problems

BEFORE THE MOVE

Before moving into your new house, ask yourself the following questions:

IS THE NEW HOUSE READY TO MOVE INTO?

- The previous owner should be completely moved out before you “close” on the house and become the owner.
- The house should be broom swept and clean (especially the kitchen, closets, and other storage areas).
- Check to make sure the keys work and that all utilities are turned on (electricity, gas, water, oil, etc.).

ARE YOU READY TO MOVE OUT OF YOUR OLD PLACE?

- If you are renting now, make sure the apartment is clean and in good shape. This will help you to . . .
- Get your security deposit back. (Also remember to return the keys to the landlord).

HAVE YOU NOTIFIED EVERYONE OF YOUR MOVE?

- Fill out “Change of Address” forms at the post office.
- Notify all utility companies of your new address.
- Also, notify your employer(s), the driver’s license bureau, credit card companies, magazine companies, etc.

DO YOU HAVE A MOVING PLAN?

- Do you know when and how you are going to move?
- Do you have an idea of how much it will cost you to move?
- Do you know who will be helping you and what their responsibilities are?
- Do you have a list of the items or boxes to be moved and where they are to be put in the new home?
- Do you have a plan for which things should be moved first?

HAVE YOU TAKEN CARE OF SCHOOL AND CHILD CARE ARRANGEMENTS FOR YOUR CHILDREN? (DURING THE MOVE? IN THE NEW PLACE?)

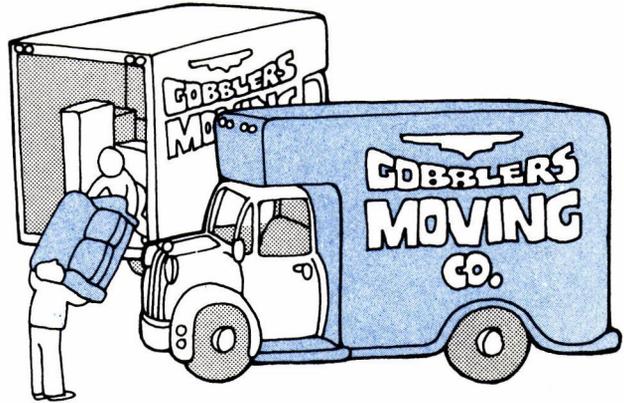
USE THE MOVING CHECKLIST IN APPENDIX 6 TO MAKE SURE YOU HAVEN'T FORGOTTEN ANYTHING.

MOVING INTO THE HOUSE

For most people, moving is a headache. Whether you do the moving yourself, or hire someone to do it for you, here are some tips for making the move easier.

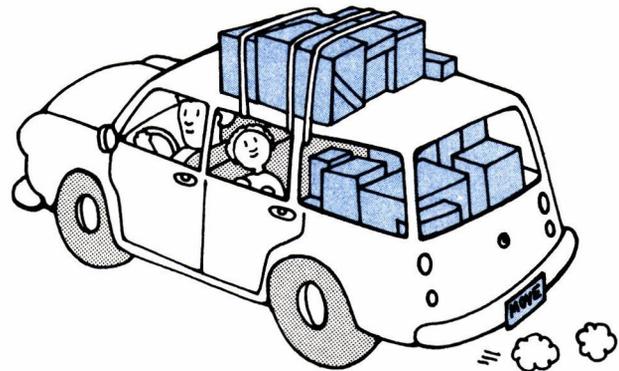
IF YOU USE A MOVING COMPANY . . .

- Get a firm estimate (in writing) before the move.
- Write down a list of all items being moved.
- Make sure all items being moved are insured against loss or damage by the company.
- Double check the pick-up and delivery times.
- Have the money ready (usually cash or certified check).



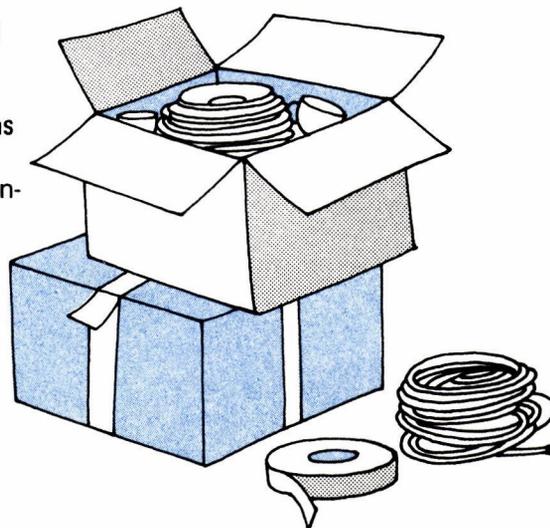
IF YOU DO THE MOVING YOURSELF . . .

- Plan the move ahead of time (who is going to help, what things get moved first, etc.).
- Get as many people to help as possible.
- If you decide to rent a truck or a trailer, make sure to *reserve one* ahead of time, and bring a cash deposit.
- Move first things first (food, dishes, rugs, clothing, etc.). **USE THE MOVING CHECKLIST IN APPENDIX 6.**
- Get a handtruck with a strap for moving the heavy items (sofa, refrigerator, etc.).



PACKING TIPS . . .

- Have plenty of boxes, rope and packing tape available.
- Wrap all breakable items in newspaper.
- Don't overload the boxes (liquor cartons make the best boxes).
- **LABEL ALL CARTONS** (what they contain and where they go).

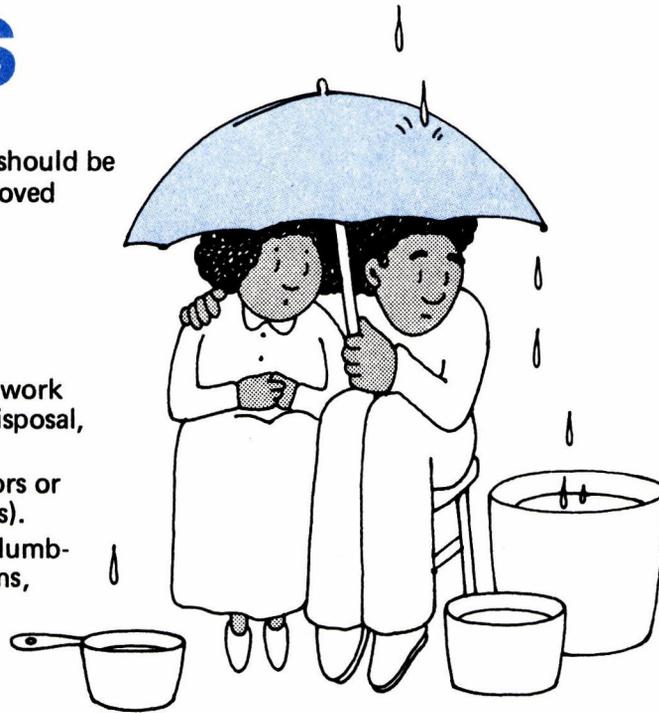


DEALING WITH INITIAL PROBLEMS

There are *three kinds of problems* you should be prepared to deal with once you have moved into your house:

PROBLEMS WITH THE HOUSE

- Problems with appliances that don't work properly (refrigerator, dishwasher, disposal, etc.).
- Other problems (such as sticking doors or windows, peeling paint, leaky faucets).
- Hidden defects (such as structural, plumbing, heating/cooling, electrical systems, leaking roof, etc.).



FOR NEW HOMES

- You have an *implied warranty* from the builder that the house does not have major defects and that all systems will work properly. (But be prepared to argue with him about fixing both major and minor problems.)
- You may get a *written warranty* from the builder as part of your Purchase Agreement or under the *Homeowner's Warranty Program* sponsored by the National Association of Homebuilders.
- Homes subsidized by HUD/FHA under Section 235 are warranted for a period of one year from the date of purchase.

FOR OLDER HOMES

- Unless you get some kind of warranty from the seller in writing (for example in your purchase agreement), you are *not* protected in case defects show up.
- You *are* protected if you buy a *newly renovated house* from HUD/FHA (this warranty against major defects covers one year after purchase).

CHECK APPENDIX 6 FOR WARRANTIES THAT MAY APPLY IN YOUR CASE.

REMEMBER, THE "APPRAISAL" BY THE LENDER, BY THE FHA (OR BY THE TITLE INSURANCE COMPANY) DOES NOT MEAN THAT THE HOUSE IS "APPROVED" OR WARRANTED AGAINST ANY DEFECTS. YOU ARE THE ONE RESPONSIBLE. DON'T LET ANYONE TELL YOU DIFFERENTLY.

TWO OTHER PROBLEMS

There are two other kinds of problems you should watch out for when you move into your home . . .

SALESPeOPLE

- As a new homeowner you're a natural target for people selling everything from aluminum siding to wallpaper to mortgage life insurance.
- The sales pitch is keyed to *your emotions* (for example, "You want to be proud of your house, don't you?"); or to *your pocketbook* (" . . . This product will save you hundreds of dollars in home maintenance," etc.).
- **BE VERY CAREFUL.** You may wind up paying much more than you thought; and some home improvement contracts may permit the contractor to place a "lien" (claim) on your house if you don't pay on time. Finally, you may not get the quality of workmanship or materials you expected.
- **DON'T SIGN ANYTHING OR AGREE TO HAVE WORK DONE UNTIL YOU HAVE HAD A CHANCE TO LIVE IN THE HOUSE FOR A WHILE.**



SEE SECTION 7: "HOME IMPROVEMENTS" (P. 82)

YOUR OWN DESIRES

- Resist the temptation to buy all new furnishings for the house (carpets, drapes, furniture, appliances, etc.)
- **BUYING ON TIME (BY INSTALLMENTS) CAN BE DANGEROUS –**
- Too many installment payments can put a real strain on your budget and lead to major credit problems.
- You wind up paying a lot more because of high interest rates.
- **IT'S BEST IF YOU SAVE UP THE MONEY YOU NEED SO YOU CAN BUY MOST OF THE THINGS YOU WANT WITH CASH.**

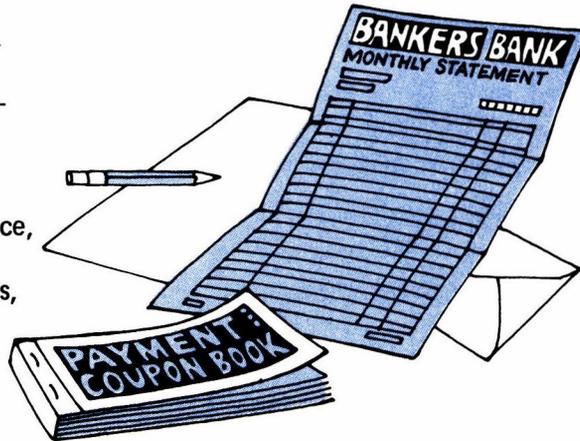


MAKING YOUR MORTGAGE PAYMENTS

Each month you may receive a statement of the amount you owe the lender.

THE STATEMENT USUALLY INCLUDES THE FOLLOWING ITEMS:

- **WHAT YOU HAVE PAID SO FAR** (in the current year) for interest and principal payments on the loan, real estate taxes, mortgage insurance and hazard insurance.
- **WHAT YOU OWE THIS MONTH** – for interest and principal payments on the loan, real estate taxes, mortgage insurance, and hazard insurance.
- **THE BALANCE OF THE LOAN** (that is, the amount remaining due on the mortgage).
- **LATE PAYMENT CHARGES** you may owe the lender for not paying on time.



NOTE: Instead of a monthly statement, you may receive a year's supply of coupons or payment cards to mail to the lender each month along with your check.

IT IS VERY IMPORTANT YOU MAKE YOUR MONTHLY PAYMENTS ON TIME.

LATE PAYMENT CHARGES

- Anytime you are late in making a monthly payment to the lender, you may be charged a late payment fee.
- Late payment charges vary from one lender to the next. They are usually about 1% to 5% of the amount you owe the lender for principal and interest payments in a given month. However, they may be higher.
- Some lenders may allow you a grace period (for example, 15 days) beyond the date your payment is due, before they will charge you a late payment fee. But don't count on it.
- **WHENEVER YOU DO NOT PAY THE LENDER ON TIME, YOU ARE DELINQUENT ON THE LOAN.**

DELINQUENCY IS SERIOUS

- Anytime you are late in making your payment to the lender, **YOUR CREDIT RATING IS HURT.**
- The lender will not only charge you a late payment fee, but he may also advise you that you are in **DEFAULT** on the loan. (See next page.)
- If you know you will not be able to make your payment on time you should **LET THE LENDER KNOW** and **WORK OUT ARRANGEMENTS WITH HIM FOR MAKING UP THE PAYMENT.**
- The lender will probably be more sympathetic if you have a **GOOD HISTORY OF MAKING YOUR PAYMENTS ON TIME.**

DEFAULT AND FORECLOSURE

When you signed the *mortgage* or *promissory note* at the closing, you agreed to pay back the loan in regular monthly payments, to maintain the home, pay property taxes, insure the home for a certain amount, etc. . . .

ANYTIME YOU DO NOT LIVE UP TO THE TERMS OF THIS AGREEMENT YOU ARE "IN DEFAULT" ON THE LOAN

DEFAULT ON THE MORTGAGE LOAN

- Usually, default refers to a situation where you are seriously delinquent in your payments to the lender (that is, more than one month behind or frequently late in making your payments).
- Under the terms of the mortgage note, the lender is entitled to take action against you to get back the money he loaned.
- The *acceleration clause* in the mortgage note means that if you default in your payments, then the lender may demand that the *entire loan* (not just your *overdue* payments) must be paid in full, all at once.

FORBEARANCE AGREEMENTS

IF YOU ARE FACING DEFAULT ON YOUR MORTGAGE THERE ARE A NUMBER OF STEPS YOU SHOULD TAKE:

- You should LET THE LENDER KNOW as soon as possible when you run into serious difficulty in making your payments.
- GET HELP. Various counseling agencies, legal service groups, and the local office of HUD/FHA can help you. CHECK THE APPENDIX.
- With their help, try to work out an arrangement with your lender to make up your overdue payments.
- If the lender agrees to the plan, then he may hold off ("forbear") from taking legal action to get back the money.

FORECLOSURE: If satisfactory arrangements cannot be worked out, foreclosure is the legal process by which the lender takes the house from you and sells it to pay off the money you owe him.

- FORECLOSURE MEANS:**
- YOU LOSE THE HOUSE
 - YOU LOSE THE MONEY YOU PUT INTO IT
 - YOU LOSE YOUR CREDIT RATING

MANAGING YOUR MONEY

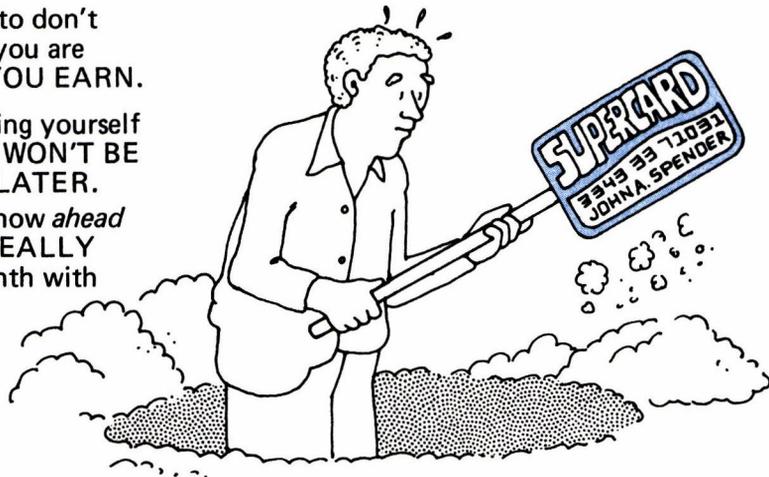
One of the keys to success as a homeowner is to make sure that **MONEY COMING IN IS MORE THAN MONEY GOING OUT**

OWNING A HOME CAN MAKE THIS TASK MORE DIFFICULT BECAUSE OF THE LARGE OR UNEXPECTED COSTS YOU MAY HAVE TO PAY FROM TIME TO TIME . . .

- *Major repair bills* (for example, repairing a roof or fixing the plumbing).
- *Replacement of old equipment* (a water heater or refrigerator, for example).
- *Special assessments* (like homeowner's association dues, new sidewalks, etc.)
- *Large once-a-year expenses* (like homeowner's insurance if the lender doesn't collect it from you each month, or a real estate tax *increase*).

HAVING ACCESS TO EASY CREDIT (LIKE CHARGE ACCOUNTS, CREDIT CARDS OR INSTALLMENT LOANS) DOESN'T HELP YOU EITHER . . .

- The people you owe money to don't know (and may not care) if you are **SPENDING MORE THAN YOU EARN**.
- This means you may be digging yourself **A FINANCIAL HOLE YOU WON'T BE ABLE TO CLIMB OUT OF LATER**.
- To avoid this, you have to know *ahead of time* **WHAT YOU CAN REALLY AFFORD** to spend each month with cash or credit.



TO HELP YOU KEEP CONTROL OF YOUR EXPENSES, IT IS A GOOD IDEA TO HAVE A FINANCIAL MANAGEMENT PLAN (SEE NEXT PAGE)

In drawing up such a budget you will want to . . .

- **KEEP IT SIMPLE** – if it's too complicated you won't use it.
- **BE HONEST WITH YOURSELF** – if you *underestimate* expenses or *overestimate* your income, you are only fooling yourself.
- **INVOLVE THE REST OF YOUR FAMILY** in making out your plan – find out what they need money for, how they can help cut down on expenses, etc.
- **KEEP ACCURATE RECORDS** – each month these records (check stubs, bills, receipts, monthly mortgage statements, etc.) will tell you how much you are spending and whether you need to make changes in the plan.
- **KEEP THE PLAN UP-TO-DATE** – a plan that's out-of-date is *not* useful. The plan should help you keep track of how much money is coming in and how much is going out – **TODAY AND TOMORROW**.

FOUR BASIC ELEMENTS OF A BUDGET

1. WHERE THE MONEY COMES FROM

- Regular *take-home pay* – after deductions for taxes, social security, pensions, union dues, etc.
- *Regular payments* from pensions, social security, veteran's benefits, workmen's compensation, welfare, etc.
- *Interest* on loans or savings accounts, dividends, rents, etc.
- *Other regular income* (for example, alimony, child support)

2. WHAT YOU KNOW YOU MUST SPEND

- *Monthly payments on the house* (principal and interest on the mortgage, real estate taxes, mortgage insurance, hazard insurance, etc.)
- *Utilities* (gas, oil, electricity, telephone, water, sewer, etc.)
- *Other expenses for the house* (homeowner's insurance if not collected by the bank, special town fees, etc.)
- *Car expenses* (auto loan, insurance, gas, oil, maintenance, etc.)
- *Life and health insurance*
- *School and child-care expenses*
- *Installment payments* (furniture, appliances, etc.)
- *Regular savings* – (for emergencies, for home maintenance and repairs, for education, etc.)

WHAT YOU HAVE LEFT OVER FOR DAY-TO-DAY LIVING EXPENSES

- Food (groceries, eating-out, etc.)
- Clothes (new clothes, laundry and dry cleaning, etc.)
- Personal care (cosmetics, hair care, etc.)
- Medical and dental care
- Home furnishings and expenses
- Educational expenses (books, hobbies, lessons, etc.)
- Recreation and gifts (movies, sports events, vacations, birthday and holiday gifts, etc.)

4. RECORDS OF WHAT YOU ACTUALLY EARN AND SPEND EACH MONTH

- These records are important for helping you to keep what you **PLAN TO SPEND** in line with what you **ACTUALLY SPEND**.
- Good records will help you to figure out your income taxes.
- Records also let you know what you have spent fixing up the house in case you should decide to sell it. If you sell the house you will want to get back the money you put into it.

SEE APPENDIX 7 FOR FORMS YOU CAN USE TO DRAW UP A PLAN AND KEEP TRACK OF YOUR MONTHLY EXPENSES

WHERE TO GO FOR HELP WITH MONEY PROBLEMS

Many people run into difficulty with money problems from time to time. If you are having such problems and cannot easily solve them, you should not hesitate to contact the people who can help.

FOR PROBLEMS IN MAKING YOUR MORTGAGE PAYMENTS:

THE LOCAL OFFICE OF HUD/FHA

- If your mortgage is insured by HUD/FHA, they can often help you work out arrangements with the lender for making up your payments.
- They can put you in touch with local [HOUSING COUNSELING AGENCIES](#) who can help you work out your difficulties.
- Or they can pay off your delinquent loan, and work out a forbearance agreement with you. A new payment schedule can be arranged and your payments will be made directly to HUD. However, you must make those payments on time or HUD will foreclose and you will lose the house.

CHECK APPENDIX 6 FOR THE LOCAL OFFICE OF HUD/FHA NEAREST YOU

HOUSING COUNSELING AGENCIES

- Such agencies are there to help you work out forbearance agreements or other arrangements with the lender.
- They can also help you deal with the financial difficulties you may run into.

FOR OTHER FINANCIAL PROBLEMS

CONSUMER CREDIT COUNSELING SERVICES

- In many large cities there are [Consumer Credit Counseling Services](#) that can help you set up a realistic budget for resolving money problems and living within your means.
- If your difficulties are serious, they can also set up a long-term program for paying *off your debts*, for helping you to *stay out of debt*, and for helping you *get back a good credit rating*.

REMEMBER, WHEN YOU FIND YOURSELF GETTING INTO DIFFICULTY, YOU SHOULD TAKE ACTION (BEFORE YOUR CREDITORS TAKE ACTION AGAINST YOU)

KEEPING GOOD RECORDS

It is very important that you keep good records on your house . . .

RECORDS OF YOUR PURCHASE AND OWNERSHIP OF THE HOUSE

- Receipts for money paid on or before the closing (loan disclosure statement)
- Your copy of the mortgage note or deed of trust
- Your copy of the deed
- Your warranties on the house (if any)
- FHA or VA related documents

INSURANCE RECORDS

- Copy of hazard or homeowner's insurance policy
- Mortgage, life or flood insurance policies
- A list of your personal property in the home and its value (photographs of each room are helpful to have)

MAINTENANCE, REPAIRS AND HOME IMPROVEMENT RECORDS

- Utility bills and receipts
- Receipts for any repairs (including labor and materials)
- Warranties on any items in the house (equipment and appliances)
- Description of any improvements you have made to the house and their costs

TAX AND MORTGAGE PAYMENT RECORDS

- Receipts of all payments made to your mortgage lender (real estate taxes and mortgage interest payments are deductible from your income for federal income tax purposes)
- Other receipts for local taxes or assessments you have paid

OTHER RECORDS

- Homeowner's association dues paid
- Other payments you may have made for your home, such as condominium or cooperative association dues and maintenance expenses

REMEMBER: IN MANY CASES YOUR CANCELED CHECKS ARE YOUR RECEIPTS. SAVE THEM.

APPENDIX 6

- **CHECKLIST FOR MOVING**
- **FORM FOR DRAWING UP A MONTHLY BUDGET**
- **FORMS FOR KEEPING TRACK OF YOUR INCOME AND EXPENSES**
- **WHERE TO GO FOR HELP WITH MONEY PROBLEMS**

MOVING CHECKLIST

(Refer to Text, PP. 67, 68)

YOU WILL WANT TO BE SURE YOU HAVE TAKEN CARE OF THE MANY DETAILS INVOLVED IN MOVING. USE THIS CHECKLIST AS A REMINDER OF WHAT HAS TO BE DONE BEFORE AND DURING THE MOVE.

HAVE YOU. . .

- Checked the condition of your new house to make sure all the seller's things are moved out, and that it is swept and free from all trash (in the basement, attic, and yard)?
- Given your landlord plenty of notice?
- Cleaned your apartment and had the landlord inspect it?
- Returned your key to the landlord?
- Arranged to get your security deposit back?
- Notified all utility companies to shut-off your present service and turn on service at the new address?
- Notified your employer, drivers license bureau, credit card companies, magazine companies, etc. of your move?
- Filled out "change of address" forms at Post Office?
- Notified your children's school or day care center?
- Made arrangements for your children during the move?
- Checked with the moving company about the date of the move, time of pick-up and delivery, and cost of the move (in a written estimate)?
- Checked with the mover to make sure all your items will be insured?
- Checked with the rental company (if you plan to rent a truck or van) about the date and cost of the rental?
- Arranged with family or friends to help you with the move?
- Stocked up on plenty of boxes, cartons, rope, tape, and newspapers?
- Made a list of items to be moved and marked the contents on the boxes?
- Made a list of what items should be moved first (food, dishes, clothing, rugs) and where they should go in your new house?
- Made sure you have all the keys to your new house, and that they work properly?

WARRANTIES YOU SHOULD KNOW ABOUT

THERE ARE CERTAIN HOME PURCHASES THAT COME WITH A WARRANTY AGAINST DEFECTS IN CONSTRUCTION IN NEW HOUSES, OR REHABILITATION IN EXISTING HOUSES. THESE INCLUDE:

- Purchase of a new house built by a builder enrolled in the HOW (Homeowner's Warranty) Program. The warranty covers structural, mechanical-plumbing and electrical systems for a period of 10 years. You will be provided the warranty and a copy of the approved standards which spell out what is covered, how to file a claim, and how to settle a disputed claim.
- Purchase of an FHA 235 subsidized new home or a HUD rehabilitated existing home. The warranty covers any major structural or systems defects for a period of 1 year.

SOME REALTY COMPANIES ARE NOW PROVIDING WARRANTIES ON THE HOMES THEY SELL. THERE ARE A NUMBER OF CONDITIONS WHICH YOU SHOULD FIND OUT ABOUT BEFOREHAND:

- What items are warrantied?
- What is the length of the warranty (when does it expire)?
- Is there a deductible provision (how much)?
- Do you have to use certain firms to do the warrantied repair work (which one)?

MANUFACTURER'S WARRANTIES COME WITH CERTAIN ITEMS IN A HOUSE. CHECK WITH THE SELLER TO DETERMINE IF WARRANTIES ARE IN EFFECT FOR ANY PARTS OF THE HOUSE-- FOR EXAMPLE, THE ROOF, HOT WATER HEATER, NEW FIXTURES OR APPLIANCES, ETC.

BUDGET WORKSHEET

THIS FORM IS DESIGNED TO HELP YOU SET UP A BUDGET AND SET SOME SPENDING GOALS FOR THE COMING YEAR.

INSTRUCTIONS

MONTHLY
AMOUNT X 12 = YEARLY
AMOUNT

STEP 1 ENTER YOUR NET FAMILY INCOME
(TAKE HOME PAY).

- Income from employment after deductions (If you are paid every two weeks, multiply your income, after deductions, by 2.2 to get your monthly amount.)
- Income from Social Security, Welfare, Pension Benefits, Disability Income, etc.
- Alimony and Child Support payments
- Interest on Savings Account
- Stock dividends, bond income, etc.
- Other income (second job, etc.)

\$ _____	X 12 =	\$ _____
_____	X 12 =	_____
_____	X 12 =	_____
_____	X 12 =	_____
_____	X 12 =	_____
=====		=====
\$ []	X 12 =	\$ []

TOTAL INCOME

STEP 2 ENTER YOUR FIXED MONTHLY EXPENSES
(WHAT YOU KNOW YOU HAVE TO SPEND).

- Payments on the house (mortgage payments, real estate taxes, hazard insurance, etc.)
- Heat and Utilities (gas, oil, electricity, water and sewer charges, telephone, etc.)
- Other fixed house expenses (such as Homeowner's Association dues)
- Car expenses (car loan, insurance, gas, oil, maintenance, etc.)
- Life and Health Insurance
- School and child-care expenses
- Alimony and child support payments
- Installment payments (revolving charge accounts, furniture payments, personal loans)
- Regular savings (what you set aside each month for emergencies, education, vacations, etc.)

\$ _____	X 12 =	\$ _____
_____	X 12 =	_____
_____	X 12 =	_____
_____	X 12 =	_____
_____	X 12 =	_____
_____	X 12 =	_____
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=====		=====
\$ []	X 12 =	\$ []

TOTAL FIXED EXPENSES

BUDGET WORKSHEET (continued)

INSTRUCTIONS

MONTHLY
AMOUNT X 12 = YEARLY
AMOUNT

STEP 3 SUBTRACT THE TOTAL OF STEP 2 FROM THE TOTAL IN STEP 1 TO FIGURE OUT WHAT YOU HAVE LEFT OVER FOR DAY-TO-DAY LIVING EXPENSES.

\$ X 12 = \$

STEP 4 ENTER TOTAL FROM STEP 3 (PREVIOUS PAGE).

\$ X 12 = \$

STEP 5 ENTER YOUR DAY-TO-DAY LIVING EXPENSES.

- Food (groceries, eating out, etc.)
- Clothes (new clothes, laundry, dry cleaning, etc.)
- Personal care (cosmetics, hair care, etc.)
- Medical and dental care (prescriptions)
- Home furnishings and expenses
- Educational expenses (books, hobbies, lessons, etc.)
- Recreation and gifts (movies, sports events, vacations, birthday and holiday gifts, etc.)
- Other day-to-day living expenses (magazines, newspapers, other expenses)

\$ _____ X 12 = \$ _____

_____ X 12 = _____

TOTAL VARIABLE EXPENSES

\$ X 12 = \$

STEP 6 SUBTRACT THE TOTAL IN STEP 5 FROM THE TOTAL IN STEP 4 TO MAKE SURE YOU'RE NOT SPENDING MORE THAN YOU HAVE EACH MONTH.

\$ X 12 = \$

HOW TO KEEP TRACK OF YOUR EXPENSES

STEP 1: KEEP A CLEAR RECORD OF YOUR REGULAR MONTHLY INCOME

SOURCES OF INCOME	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL FOR YEAR
● EMPLOYMENT (AFTER DEDUCTIONS)													
● SOC. SECURITY, WELFARE, PENSION (etc.)													
● ALIMONY AND CHILD SUPPORT													
● INTEREST ON SAVINGS													
● STOCKS & BONDS													
● OTHER INCOME													
TOTAL INCOME EACH MONTH													

STEP 2: KEEP A CLEAR RECORD OF YOUR FIXED MONTHLY EXPENSES

FIXED MONTHLY EXPENSES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL FOR YEAR
PAYMENTS ON THE HOUSE	MORTGAGE PAYMENT												
	REAL ESTATE TAXES												
	HAZARD & MORTGAGE INSURANCE												
HEAT AND UTILITIES	● GAS												
	● OIL												
	● ELECTRICITY												
	● WATER/SEWER												
	● TELEPHONE												
OTHER FIXED HOUSE EXPENSES													
AUTOMOBILE EXPENSES	● AUTO LOAN												
	● AUTO INSURANCE												
	● GAS, OIL, MAINT.												
LIFE & HEALTH INSURANCE													
SCHOOL & CHILD CARE													
ALIMONY AND CHILD SUPPORT													
INSTALLMENT PAYMENTS													
REGULAR SAVINGS													
TOTAL FIXED EXPENSES													

STEP 3: FIGURE OUT HOW MUCH YOU HAVE LEFT OVER EACH MONTH

INSTRUCTIONS	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL FOR YEAR
A. ENTER <u>TOTAL INCOME</u> EACH MONTH FROM OTHER SIDE													
B. ENTER <u>TOTAL FIXED</u> <u>EXPENSES EACH MONTH</u> FROM OTHER SIDE													
C. SUBTRACT (B) FROM (A) TO GET AMOUNT AVAILABLE EACH MONTH FOR OTHER EXPENSES													

STEP 4: KEEP A CLEAR RECORD OF WHAT YOU HAVE SPENT ON DAY-TO-DAY
(VARIABLE) EXPENSES

VARIABLE MONTHLY EXPENSES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL FOR YEAR
FOOD (Groceries, eating out, etc.)													
CLOTHES													
EXPENSES													
PERSONAL CARE (Cosmetics, hair, etc.)													
MEDICAL, DENTAL, PRESCRIPTIONS													
HOME FURNISHINGS													
EDUCATION (Books, hobbies, lessons)													
RECREATION													
AND													
GIFTS													
OTHER DAY-TO-DAY EXPENSES													
TOTAL VARIABLE EXPENSES													

---> IS THE TOTAL AMOUNT FOR EACH MONTH SMALLER THAN THE TOTAL IN STEP 3C. ABOVE?
IF NOT, YOU MAY BE GOING FARTHER IN TO DEBT THAN YOU WANT TO.

REGION I

REGIONAL OFFICE

Room 800, John F. Kennedy Federal Building
Boston, Massachusetts 02203 (617) 223-4066

AREA OFFICES

Bulfinch Building
15 New Chardon Street
Boston, Massachusetts 02114

One Financial Plaza
Hartford, Connecticut 06103

SERVICE OFFICES

Norris Cotton Federal Building
275 Chestnut Street
Manchester, New Hampshire 03103 (401) 834-7651

330 Post Office Annex
Providence, Rhode Island 02902

VALUATION/ENDORSEMENT STATIONS

Federal Building and Post Office
202 Harlow Street
Bangor, Maine 04401

Federal Building
Elmwood Avenue
Burlington, Vermont 05401 (802) 951-6273

REGION II

REGIONAL OFFICE

26 Federal Plaza
New York, New York 10007 (212) 264-8053

AREA OFFICES

Suite 800, Statler Building
107 Delaware Avenue
Buffalo, New York 14202 (716) 846-5755

666 Fifth Avenue
New York, New York 10019 (212) 399-5283

REGION II (Contd)

AREA OFFICES (Contd)

Gateway I Building
Raymond Plaza
Newark, New Jersey 07102 (201) 645-2600

CARIBBEAN AREA OFFICE

Federal Office Building
Room 428, Carlos Chardon Avenue
Hato Rey, Puerto Rico 00917

SERVICE OFFICES

Leo W. O'Brien Federal Building
North Pearl Street and Clinton Avenue
Albany, New York 12207 (518) 472-3567

The Parkade Building
519 Federal Street
Camden, New Jersey 08103 (609) 757-5081

REGION III

REGIONAL OFFICE

Curtis Building
6th and Walnut Streets
Philadelphia, Pennsylvania 19106 (215) 597-2528

AREA OFFICES

Two Hopkins Plaza
Mercantile Bank and Trust Building
Baltimore, Maryland 21201 (301) 962-2520

Curtis Building
625 Walnut Street
Philadelphia, Pennsylvania 19106 (215) 597-2350

Two Allegheny Center
Pittsburgh, Pennsylvania 15212 (412) 644-2818

701 East Franklin Street
Richmond, Virginia 23219 (804) 782-2981

Universal North Building
1875 Connecticut Avenue, NW
Washington, DC 20009 (202) 673-5837

REGION III (Contd)

SERVICE OFFICE

New Federal Building
500 Quarrier Street
Charleston, West Virginia 25330

VALUATION/ENDORSEMENT STATION

Delaware Trust Plaza
1800 Pennsylvania Avenue, Suite 604
Wilmington, Delaware 19806 (302) 573-6300

REGION IV

REGIONAL OFFICE

1371 - 1375 Peachtree Street, NE
Atlanta, Georgia 30309 (404) 881-4585

AREA OFFICES

Peachtree Center Building
230 Peachtree Street, NW
Atlanta, Georgia 30303 (404) 221-4576

Daniel Building
15 South 20th Street
Birmingham, Alabama 35233 (205) 245-1630

1801 Main Street
Jefferson Square
Columbia, South Carolina 29202

415 N Edgeworth Street
Greensboro, North Carolina 27401 (919) 378-5361

101-C Third Floor, Jackson Mall
300 Woodrow Wilson Avenue, W.
Jackson, Mississippi 39213

Peninsular Plaza
661 Riverside Avenue
Jacksonville, Florida 32204 (904) 791-2626

One Northshore Building
1111 Northshore Drive
Knoxville, Tennessee 37919

Children's Hospital Foundation Building
601 South Floyd Street
Louisville, Kentucky 40201

REGION IV (Contd)

SERVICE OFFICES

3001 Ponce de Leon Boulevard
Coral Gables, Florida 33134 (305) 445-2561

Federal Building
700 Twiggs Street
Post Office Box 2097
Tampa, Florida 33601 (813) 2282521

Federal Building - US Courthouse
80 N Hughey Avenue
Post Office Box 1400
Orlando, Florida 32802 (305) 420-6441

28th Floor, 100 North Main Street
Memphis, Tennessee 38103 (901) 521-3159

U.S. Courthouse, Federal Building Avenue
801 Broadway
Nashville, Tennessee 37203 (615) 251-5521

REGION V

REGIONAL OFFICE

300 South Wacker Drive
Chicago, Illinois 60606 (312) 353-5800

AREA OFFICES

1 North Dearborn Street
Chicago, Illinois 60602

New Federal Building
200 North High Street
Columbus, Ohio 43215

Patrick V. McNamara Federal Building
477 Michigan Avenue
Detroit, Michigan 48226

151 North Delaware Street
Indianapolis, Indiana 46207 (317) 269-6311

744 North 4th Street
Milwaukee, Wisconsin 53203 (414) 291-3214

6400 France Avenue, South
Minneapolis, Minnesota 55435 (612) 725-4801

REGION V (Contd)

SERVICE OFFICES

Federal Office Building
550 Main Street, Room 9009
Cincinnati, Ohio 45202 (513) 684-3451

777 Rockwell
Cleveland, Ohio 444114 (216) 522-3131

Northbrook Building Number II
2922 Fuller Avenue, NE
Grand Rapids, Michigan 49505 (616) 456-2216

Metropolitan Building
432 North Saginaw Street
Flint, Michigan 48502 (313) 234-5621

VALUATION/ENDORSEMENT STATION

Lincoln Tower Plaza
524 South Second Street
Springfield, Illinois 62701

REGION VI

REGIONAL OFFICE

Room 14C2, Earle Cabell Federal Building
US Courthouse
1100 Commerce Street
Dallas, Texas 75242 (214) 749-7401

AREA OFFICES

2001 Bryan Tower, 4th Floor
Dallas, Texas (214) 749-1625

Room 1490, One Union National Plaza
Little Rock, Arkansas 72201 (501) 378-5931

Plaza Tower
1001 Howard Avenue
New Orleans, Louisiana 70113 (504) 589-2062

200 N. W. Fifth Street
Oklahoma City, Oklahoma 73102 (405) 231-4181

Kallison Building
410 South Main Avenue
Post Office Box 9163
San Antonio, Texas 78285

REGION VI (Contd)

SERVICE OFFICES

819 Taylor Street
Room 13A01 Federal Building
Fort Worth, Texas 76102 (817) 334-3249

Two Greenway Plaza East, Suite 200
Houston, Texas 77046

Courthouse and Federal Office Building
1205 Texas Avenue
Post Office Box 1647
Lubbock, Texas 79408 (806) 762-7294

625 Truman Street, N. E.
Albuquerque, New Mexico 87110 (505) 766-3231

1515 Airway Boulevard
El Paso, Texas 79901 (915) 543-7686

New Federal Building
500 Fannin, 6th Floor
Shreveport, Louisiana 71120 (318) 226-5385

1708 Utica Square
Tulsa, Oklahoma 74152 (918) 581-7434

REGION VII

REGIONAL OFFICE

Federal Office Building, Room 300
911 Walnut Street
Kansas City, Missouri 64106 (816) 374-2661

AREA OFFICES

Two Gateway Center
4th and State Streets
Kansas City, Kansas 66101

Univac Building
7100 West Center Road
Omaha, Nebraska 68106 (402) 221-9345

210 North 12th Street
St. Louis, Missouri 63101 (314) 425-4783

REGION VII (Contd)

SERVICE OFFICE

210 Walnut Street
Room 259, Federal Building
Des Moines, Iowa 50309 (515) 284-4510

VALUATION/ENDORSEMENT STATION

444 S. E Quincy Street, Room 330
Topeka, Kansas 66683 (913) 295-2660

REGION VIII

REGIONAL OFFICE

Executive Tower Building
1405 Curtis Street
Denver, Colorado 80202 (303) 837-4513

AREA OFFICE

Title Building, 4th Floor
909 - 17th Street
Denver, Colorado 80202 (303) 837-3235

SERVICE OFFICES

Room 340, Federal Office Building
Drawer 10095, 301 South Park
Helena, Montana 59601 (406) 449-5205

125 South State Street
Salt Lake City, Utah 84147 (801) 524-5240

VALUATION/ENDORSEMENT STATIONS

Federal Office Building
100 East B Street
Casper, Wyoming 82601 (307) 265-5550 x5252

Federal Building
653 - 2nd Avenue, N. x5136
Fargo, North Dakota 58102 (701) 237-5771

119 Federal Building, U.S. Courthouse
400 S. Phillips Avenue x223
Sioux Falls, South Dakota 57102 (605) 336-2980

REGION IX

REGIONAL OFFICE

450 Golden Gate Avenue
Post Office Box 36003
San Francisco, California 94102

AREA OFFICES

Federal Building
300 Ala Moana Boulevard, Suite 3318
Honolulu, Hawaii 96850 (808) 546-2136

2500 Wilshire Boulevard
Los Angeles, California 90057 (213) 688-5140

1 Embarcadero Center, Suite 1600
San Francisco, California 94111

SERVICE OFFICES

34 Civic Center Plaza, Room 614
Santa Ana, California 92701 (714) 836-2413

Federal Office Building
880 Front Street
Post Office Box 2648
San Diego, California 92112 (714) 293-5305

244 West Osborn Road
Post Office Box 13468
Phoenix, Arizona 85002

Federal Building
301 West Congress
Tuscon, Arizona 85701 (602) 792-6237

Federal Building - U.S. Courthouse
1130 O Street
Fresno, California 93721 (209) 487-5033

801 I Street, Room 147
Post Office Box 1978
Sacramento, California 95809 (916) 440-2328

1050 Bible Way
Post Office Box 4700
Reno Nevada 89505 (702) 784-5431

Federal Building - U.S. Courthouse
300 Law Vegas Boulevard, South
Las Vegas, Nevada 89101 (702) 385-6208

REGION X

REGIONAL OFFICE

3003 Arcade Plaza Building
1321 Second Avenue
Seattle, Washington 98101

AREA OFFICES

334 West 5th Avenue
Anchorage, Alaska 99501 (907) 265-4790

520 Southwest 6th Avenue
Portland, Oregon 97204 (503) 221-2558

Arcade Plaza Building
1321 Second Avenue
Seattle, Washington 98101 (206) 442-5352

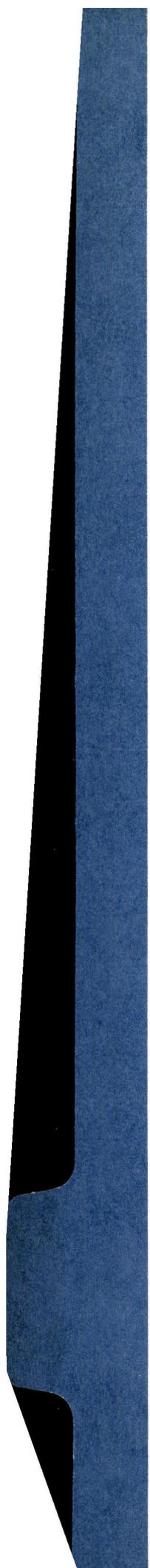
SERVICE OFFICES

419 North Curtis Road
Post Office Box 32
Boise, Idaho 83707 (208) 384-1992

West 920 Riverside Avenue
Spokane, Washington 99201 (509) 456-2510

7 MAINTENANCE, REPAIRS AND HOME IMPROVEMENTS

- Taking care of your home
- Making repairs
- Saving energy (and money)
- Making home improvements
- Protecting yourself as a consumer



TAKING CARE OF YOUR HOME

Now that you own your home you are going to want to keep it in good condition.

ROUTINE HOUSEKEEPING IS ONE WAY TO MAINTAIN YOUR HOME, AND SAVE TIME AND MONEY FOR COSTLY REDECORATION.

- Washing and waxing your linoleum floors will protect them from damaging stains and scratch marks.
- Washing walls and woodwork is easier than repainting them.
- Clearing trash from the basement and attic removes a possible fire hazard.
- Proper disposal of rubbish and trash discourages rodents, insects, and other vermin.
- Regular cleaning makes your home a more attractive place to live.
- Lawn and yard care makes your neighborhood more attractive (and encourages your neighbors to do the same).
- A litter-free home and yard is easier to insure.
- A clean, well-maintained home is easier to sell.



Your home is a major investment. A little effort on your part will go a long way to protect that investment for the future.

HOME MAINTENANCE

Regular maintenance of your home and the equipment in it is a good way to avoid unexpected repairs.

- Servicing your furnace *once a year* can save fuel and add life to your heating unit. Look into a *SERVICE CONTRACT* with your fuel company.
- If you have a gas or oil-fired hot water or steam boiler, ask your fuel company about “bleeding” the radiators and boiler; this will increase the efficiency of your heating system.
- Have your cooling system or air conditioning unit checked every year.
- If you have a septic tank, make sure to have it checked every year and cleaned every 2-5 years; this will prevent sewer back-up and overflow.
- Don’t forget to clean your gutters before the rain or snow damages the *inside* of your house.
- If you use your fireplace regularly, be sure to have it cleaned *every other year* to avoid the danger of a chimney fire.

CHECK APPENDIX 7 FOR A CHECKLIST OF REGULAR MAINTENANCE ITEMS TO REMIND YOU OF WHAT NEEDS TO BE DONE.

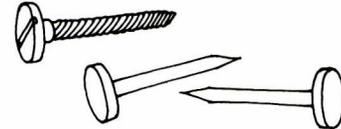
IT’S ALSO A GOOD IDEA FOR YOUR WHOLE FAMILY TO KNOW . . .

- Where the *main shut-off valve for your water supply* is located, and how to turn it off.
- Where the *main shut-off valve for your gas supply* is located, and how to shut it off.
- Where the *fuse box or main electrical circuit breaker* is and how to work it.

REPAIRS

**YOUR BUDGET
SHOULD
INCLUDE
REPAIRS**

All houses need repairs from time to time. It should be something you plan for when making out a budget.



MAKING SMALL REPAIRS BEFORE THEY BECOME BIG ONES CAN SAVE YOU MONEY IN THE LONG RUN.

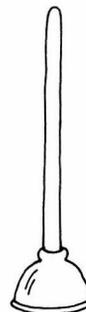


- Fix your leaky faucet *before* your sink is permanently stained (and your water bills soar).
- Patch the tile around the tub *before* water damages the floor and the ceiling underneath.
- Replace that burned-out light bulb *before* you trip in the dark.
- Get a supply of extra fuses *before* you need one (and discover you are all out).
- Patch the crack in the wall *before* it becomes a large hole.
- Fix the sluggish drain *before* it becomes really clogged and overflows.

**CHECK APPENDIX 7 FOR A LIST OF HOME REPAIR
MANUALS TO HELP YOU DO IT YOURSELF.**

**SOME
HANDY
TOOLS
TO HAVE
AROUND
THE
HOUSE**

Hammer
Screwdrivers (Phillips
and straightedge)
Pliers
Adjustable Wrench
Ladder
Shovel

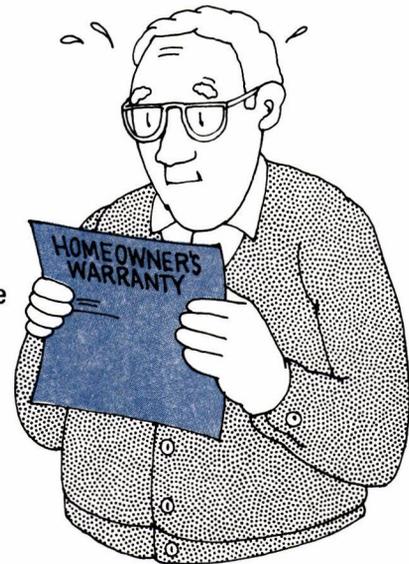


Handsaw
Nails and screws
Plumber's Helper
(plunger)
Putty Knife
Sandpaper, Steel Wool
Paint Brushes
Oil Can



HOW TO DEAL WITH EMERGENCY REPAIRS

1. Try to avoid the need for emergency repairs by regular maintenance and servicing of the equipment and systems in your house. It's easier (and less expensive) to make a small repair now than a major one later.
2. Find out if the item needing repair is covered by a **WARRANTY**.
3. Check your **HOMEOWNER'S INSURANCE POLICY**. Some repairs may be covered under it (like water damage).
4. Keep a good **CREDIT RATING**. You may need a loan to do major repairs.
5. Check **APPENDIX 7** for agencies in your area which may be able to help you with your emergency repair problems.



HOME IMPROVEMENTS

Home improvements are those **MAJOR** replacements and additions which usually increase the *real value* of your home (and may raise the property taxes).

Some examples are:

- Adding on a bathroom
- Building a basement playroom
- Finishing off an attic
- Total replacement of a major system
- Adding a screened porch

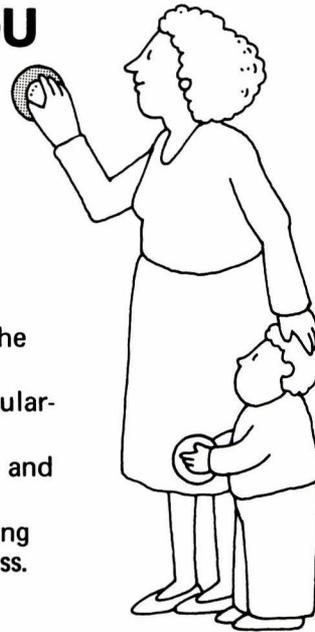
Check with your town or county tax assessors department to find out if the improvement will increase your taxes.



IF YOU TAKE OUT A HOME IMPROVEMENT LOAN AND EXPECT TO PAY HIGHER TAXES, CAN YOU AFFORD THE HIGHER COSTS?

ENERGY CONSERVATION

THERE ARE MANY WAYS YOU CAN CONSERVE ENERGY THAT WILL COST YOU LITTLE OR NOTHING:



- Set your thermostat to 65° in the winter and 78° in the summer.
- Have your heating and cooling equipment serviced regularly.
- Put weather stripping and caulking around your doors and windows.
- If you don't have storm windows, install plastic sheeting on the inside of your windows to cut down on heat loss.

CHECK APPENDIX 7 FOR A LIST OF ENERGY CONSERVATION PUBLICATIONS WHICH YOU CAN GET LOCALLY.

ENERGY SAVING IMPROVEMENTS

Insulation and storm windows are usually a good investment because:

- You will save money on your energy costs.
- You increase the value of your home (without increasing your property taxes).
- You may get a lower rate of interest if you need a home improvement loan.
- You may be eligible for a tax rebate.
- There may be special programs in your community to help pay part of the costs of energy-saving improvements.

CHECK YOUR LOCAL BANKS AND INCOME TAX PEOPLE TO SEE WHAT SPECIAL ADVANTAGES MAY BE AVAILABLE IN YOUR AREA.

IN DEALING WITH INSULATION CONTRACTORS AND STORM WINDOW COMPANIES, YOU SHOULD BE VERY CAREFUL TO MAKE SURE YOU ARE GETTING WHAT YOU PAY FOR. IT IS EASY TO BE FOOLED.

CHOOSING A CONTRACTOR

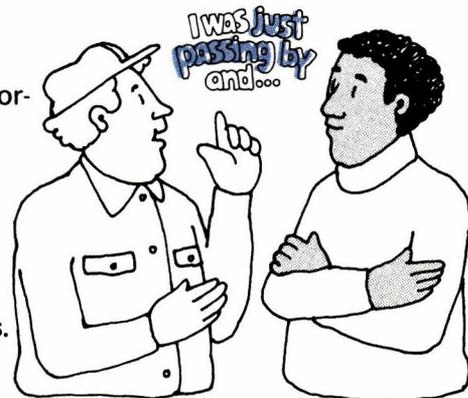
IF YOU NEED A CONTRACTOR OR REPAIR PERSON, HOW DO YOU CHOOSE A RELIABLE ONE?

- Ask friends or relatives for names of contractors who have done satisfactory work for them.
- Get names and addresses of homeowners for whom the contractor has done work and check with them.
- Find out how long the contractor has been in business (older, established firms are generally reliable).
- Get several estimates and *compare* (avoid a *very low* bid as well as a *very high* one).
- Check with the BETTER BUSINESS BUREAU to see if there are any complaints against the contractor.



BEWARE OF CONTRACTORS WHO ...

- Go door to door, or "just happen to be in the neighborhood".
- Quote you a price "sight unseen".
- Can't or won't give you references.
- Try to talk you into "extras".
- Won't give you a detailed written estimate.
- Want you to sign *on the spot* and pay by installments.



REMEMBER

If you need a loan to pay for your improvement, and if your home becomes security for that loan (has a lien against it), you have three (3) days to change your mind.

(See *RIGHT OF RESCISSION* p. 86).

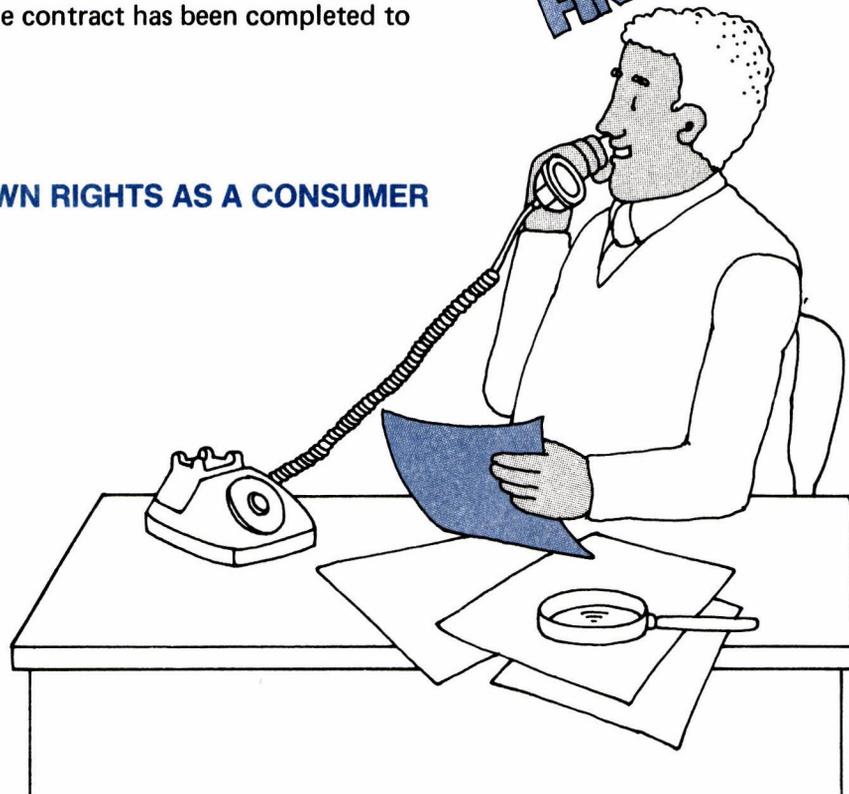
MORE ON CONTRACTORS

YOU CAN AVOID MOST PROBLEMS WITH A CONTRACTOR IF YOU:

- Select him *very carefully* (get his name, business name and address, phone number, when to reach him).
- Get names and addresses of *references* (contact them to find out if they were satisfied with the quality of work).
- Call the Better Business Bureau to find out if it has any complaints against him.
- Get estimates or proposals from *two or more contractors* and compare them (kind of materials, any warranties, best price – *cheapest isn't always best*).
- Make sure any contract contains *detailed information* (what work is to be done, materials to be used, warranties included, time to complete the job, *total cost of job*).
- *Understand the contract* (read the fine print; if you aren't sure what it means consult someone who can help you).
- *Hold back the final payment* until you are sure all of the work called for in the contract has been completed to *your satisfaction*.

NAME
BUSINESS
NAME
ADDRESS PHONE #
REFERENCES
ESTIMATES
CONTRACT
FINAL PAYMENT

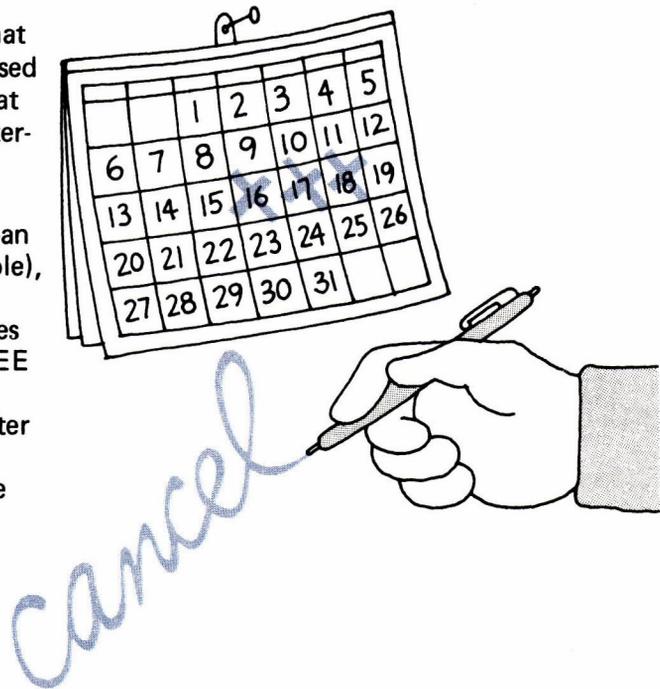
PROTECT YOUR OWN RIGHTS AS A CONSUMER



PROTECTING YOURSELF AS A CONSUMER

THERE ARE TWO IMPORTANT CONSUMER PROTECTION LAWS WHICH YOU, THE HOMEOWNER/CONSUMER, SHOULD KNOW ABOUT.

1. *Truth-in-Lending.* This law states that all the terms of a loan must be disclosed to you *before* you sign for a loan (that is, the amount you borrowed, the interest you will be paying, and the *total amount* you will have to repay).
2. *Right of Rescission.* If you need a loan (for a home improvement, for example), and that loan creates a *lien* on your property (that is, your house becomes *security* for the loan) you have **THREE DAYS TO CHANGE YOUR MIND AND CANCEL THE CONTRACT** after you sign it. Be sure to ask about the **RIGHT OF RESCISSION** if you have reason to believe a loan may involve placing a lien on your house.



BUT WHAT DO YOU DO IF:

- You chose your contractor with care,
- You read, understood and agreed to the contract,
- The loan terms were clearly explained,
- You went ahead with the improvement,

AND YOU STILL RUN INTO PROBLEMS?

PROBLEMS YOU MAY RUN INTO

- Your contractor took your down payment to purchase materials, and you haven't seen him since.
- The job is complete and you paid the contractor in full. One week later the work he did falls apart, and you have to pay another contractor to do it over.



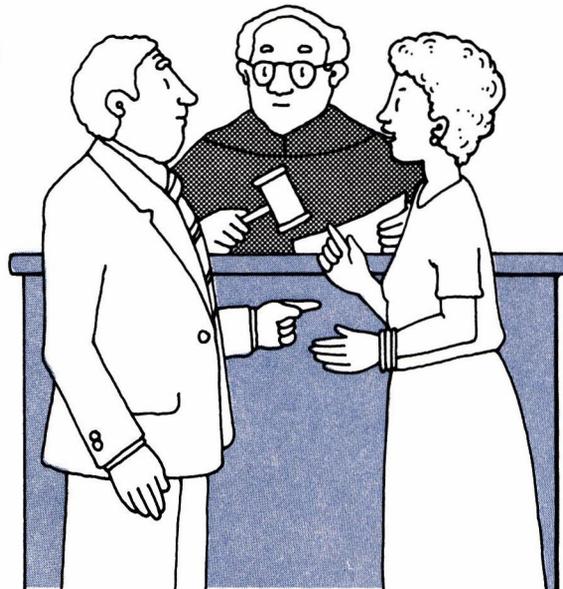
WHERE CAN YOU GO FOR HELP TO GET YOUR MONEY BACK?

1. Consult a lawyer, or your local Legal Service Office if:
 - You have tried to contact the contractor yourself, and failed
 - The contractor refuses to give you your money back
 - The amount of money you are trying to recover is *substantial*Be sure you get an *estimate* of what the *lawyer will charge* you:
get a lawyer who is experienced in CONSUMER PROTECTION LAW.

2. Bring a suit in **SMALL CLAIMS COURT** if:
 - The amount of money you are trying to recover is a relatively small amount (usually not more than \$1,000)
 - You can't afford a lawyer (the court clerk can help you fill out the papers)
 - You want a quick settlement (usually a case is heard within 30 days)

However, even if you win your case you may have trouble collecting the money if the contractor has left town or is broke and unable to pay.

Consider this possibility before you bring a case in **SMALL CLAIMS COURT**.



OTHER SOURCES OF HELP

3. Consumer Protection Agencies

There are a number of agencies available to help you in a dispute with your contractor.

- Your Attorney General's office may provide assistance if there has been a violation of consumer law. Be sure to check with them first.
- The Better Business Bureau, which maintains a list of good and *bad* contractors, can often settle disputes out of court. Your contractor may choose to settle rather than have a poor BBB rating.
- Local Counseling Agencies may be able to advise you where to go for the particular kind of help you need.



REMEMBER: CONSUMER PROTECTION LAWS ARE DESIGNED TO PROTECT YOU. DON'T BE AFRAID TO FIGHT FOR YOUR RIGHTS, AND GET HELP IF YOU NEED IT.

APPENDIX 7

- **LIST OF HOME REPAIR MANUALS**
- **CHECKLIST AND RECORD OF HOME MAINTENANCE AND REPAIR**
- **CONSUMER PROTECTION AGENCIES**

List of Home Repair Books and Manuals

There are many simple repairs that you can learn to do yourself. There are some excellent books available at your local bookstore or public library.

- Fix It Yourself
(a series of books on electrical fixtures; interior repairs; plumbing and heating; windows, doors, screens and insulation.)
Petersen Publishing Company.
- Time-Life Home Repair and Improvement Series
(a series of books dealing with just about every repair problem and with energy conservation techniques)
Published by Time-Life Corporation.
- Readers Digest Complete Home Do-It-Yourself Manual
(a very complete home repair book; completely illustrated)

The U.S. Government Printing Office (check the white pages in your phone directory) has published a number of useful home repair manuals and pamphlets.

- Protecting Your Housing Investment
HUD 346-Program Aid 3 January 1976
- Simple Home Repairs Inside
U.S. Dept. of Agriculture - Program Aid 1034

The following energy savings manuals are also available through the U.S. Government Printing Office:

- In the Bank or Up the Chimney
U.S. Department of Housing and Urban Development.
GPO #023-000-00411-9
- Energy Saving Home Improvements
U.S. Department of Housing and Urban Development,
Drake Publishers.
- How to Insulate Your Home and Save Fuel
U.S. Department of Housing and Urban Development,
Dover Press.

FOR ASSISTANCE IN HOME REPAIRS/IMPROVEMENTS

- Check your local Office of Housing and Community Development to see if there are any loan or grant programs in your area.
- Check with the Department of Housing and Urban Development to find out if there is any federal rehabilitation money available in your area ("Section 312" grants and loans).
- Check with your lender to see if a rehabilitation loan or re-financing is a possibility. Some lenders may give a lower interest rate for certain energy saving improvements; or there may be local programs to assist homeowners with repairs or improvements.

Keeping a good credit rating is very important in case you need a loan. Ask the lender about a Title I, Government Insured Home Improvement Loan. The payback period is generally longer than for a conventional loan.

YOUR HOME MAINTENANCE RECORD

Maintenance or Service Items	Date	Cost	Work Performed	Name of Servicer
Heating Equipment and Hot Water Heater				
Air Conditioning or Cooling System				
Roof, Gutters and Down-Spouts				
Exterior Painting (and Brickwork)				
Inside Painting and Redecorating				
Drainage System (Including Septic Tank, if any)				
Extermination (Rodents and Insects)				
Other Regular Maintenance				

YOUR RECORD OF HOME REPAIRS

Major Repair Categories	Date	Length of Warranty	Cost	Specific Work Performed	Name of Repair Person or Co.
<u>PLUMBING SYSTEM</u> <ul style="list-style-type: none"> ● fixtures ● pipes ● drains ● leaks, etc. ● other 					
<u>HEATING SYSTEM</u> <ul style="list-style-type: none"> ● furnace ● pipes/ducts ● radiators/ registers, etc. ● oil tanks (if any) ● other 					
<u>HOT WATER HEATER</u>					
<u>COOLING SYSTEM</u> <ul style="list-style-type: none"> ● Air Conditioning 					
<u>ELECTRICAL SYSTEM</u> <ul style="list-style-type: none"> ● fuse/circuit breaker panel ● wiring ● plugs, switches ● lights 					
<u>APPLIANCES</u> <ul style="list-style-type: none"> ● stove/oven ● refrigerator ● dishwasher ● disposal ● clothes washer ● clothes dryer ● other appliances 					

YOUR RECORD OF HOME REPAIRS (CONTINUED)

Major Repair Categories	Date	Length of Warranty	Cost	Specific Work Performed	Name of Repair Person or Co.
<p><u>INSIDE REPAIRS</u></p> <ul style="list-style-type: none"> ● walls ● ceilings ● floors ● stairs ● doors/locks ● windows ● fireplaces ● closets ● cabinets ● other inside repairs 					
<p><u>OUTSIDE REPAIRS</u></p> <ul style="list-style-type: none"> ● roof ● gutters ● brickwork or siding ● porches/stairs ● foundation ● windows ● fences/walls ● landscaping/grounds/trees ● garage ● walks/drive-ways ● other repairs outside 					

YOUR RECORD OF MAJOR HOME IMPROVEMENTS OR ADDITIONS

Improvement or Addition	Date	Cost	Length of Warranty	Description of Work	Name of Contractor or Co.
Rooms Added or Remodeled					
Basement/Attic Finished					
Kitchen Remodeled					
Baths Remodeled or Added					
New Appliances Installed					
New Heating System					
New Cooling/Air Conditioning					
New Electric Service/Wiring					
New Flooring or Carpets					
Insulation/Storm Windows					
New Porch or Patio					
New Roof					
New Siding					
New Windows					
New Fences/Walls					
New Walks or Driveway					
Landscaping					
Other Improvements or Additions					

CONSUMER PROTECTION

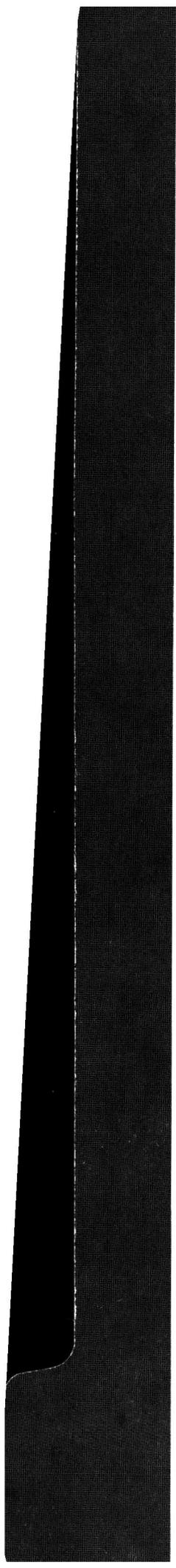
If you feel you have been the victim of a company or contractor, or false advertising or any consumer fraud, contact one of the following agencies or organizations in your area for assistance.

Better Business Bureau
Legal Aid Society
Small Claims Court
Municipal Consumer Aid Agency
Federal Revenue Bank: Dept. of Consumer Affairs

8

DEFINITIONS

- **WHAT THE TERMS MEAN**
- **HOW THEY APPLY TO YOU**



Abstract	A short legal history of a piece of property, tracing its ownership (<i>title</i>) through the years. An attorney or title insurance company reviews the abstract to make sure the title comes to a buyer free from any <i>defects</i> (problems).
Acceleration Clause	A provision in a <i>mortgage</i> that may require the unpaid balance of the mortgage loan to become due immediately if the regular <i>mortgage payments</i> are not made, or if other terms of the mortgage are not met.
Agreement of Sale	(<i>see Purchase Agreement</i>)
Amortization	A payment plan by which the borrower reduces his debt gradually through monthly payments of <i>principal</i> .
Appreciation	An increase in the value of property.
Appraisal	An evaluation of a piece of property to determine its value; that is, what it would sell for in the marketplace.
Assessment	The value placed on property for purposes of taxation; may also refer to a special tax due for a special purpose, such as a sewer assessment.
Assumption of Mortgage	The promise by the buyer of property to be legally responsible for the payment of an existing mortgage. The purchaser's name is substituted for the original <i>mortgagor's</i> (borrower's) name on the <i>mortgage note</i> and the original mortgagor is released from the responsibility of making the mortgage payments. Usually the lender must agree to an assumption.
Binder	A simple contract between a buyer and a seller which states the basic terms of an offer to purchase property. It is usually good only for a limited period of time, until a more formal <i>purchase agreement</i> is prepared and signed by both parties. A small <i>deposit</i> of <i>earnest money</i> is made to "bind" the offer.
Broker	(<i>see Real Estate Broker</i>)
Certificate of Title	A document prepared by a title company or an attorney stating that the seller has a clear, marketable, and insurable title to the property he is offering for sale.
Closing	The final step in the sale and purchase of a property, when the title is transferred from the seller to the buyer; the buyer signs the mortgage, pays settlement costs; and any money due the seller or buyer is handed over.
Closing Costs	Sometimes called Settlement Costs — costs in addition to the price of a house, usually including mortgage origination fee, title insurance, attorney's fee, and <i>prepayable</i> items such as taxes and insurance payments collected in advance and held in an <i>escrow</i> account.
Cloud on Title	(<i>see Title Defect</i>)

Commission	Money paid to a real estate agent or broker by the seller as payment for finding a buyer and completing a sale. Usually it is a percentage of the sales price and is spelled out in the <i>purchase agreement</i> .
Community Property	In some states, a form of ownership under which property acquired during a marriage is presumed to be owned jointly unless acquired as separate property of either spouse.
Conditional Commitment	A promise to insure (generally with FHA loans) payment of a definite loan amount on a particular piece of property for a buyer with satisfactory credit.
Condominium	Individual ownership of an apartment in a multi-unit project or development, and a proportionate interest in the common areas outside the apartment.
Contractor	A person or company who agrees to furnish materials and labor to do work for a certain price.
Conventional Loan	A mortgage loan which is <i>not</i> insured by <i>FHA</i> or guaranteed by <i>VA</i> .
Cooperative	An apartment building or group of housing units owned by all the residents (generally a corporation) and run by an elected board of directors for the benefit of the residents. The resident lives in his unit but does <i>not</i> own it – he owns a share of stock in the corporation.
Credit Rating	A rating or evaluation made by a person or company (such as a Credit Bureau) based on one's present financial condition and past credit history.
Credit Report	A report usually ordered by a lender from a credit bureau to help determine a borrower's <i>credit rating</i> .
Deed	A written document by which the ownership of property is transferred from the seller (the <i>grantor</i>) to the buyer (the <i>grantee</i>).
Deed of Trust	In some states, a document used instead of a mortgage. It transfers title of the property to a <i>third party</i> (the trustee) who holds the title until the debt or mortgage loan is paid off, at which time the title (ownership) passes to the borrower. If the borrower defaults (fails to make payments), the trustee may sell the property at a public sale to pay off the loan.
Deed (Quitclaim Deed)	A deed which transfers only that title or right to a property that the holder of that title has at the time of the transfer. A quitclaim deed does not warrant (or guarantee) a clear title.
Deed (Warranty Deed)	A deed which guarantees that the title to a piece of property is free from any title defects.
Default	Failure to make mortgage payments on time, as agreed to in the <i>mortgage note</i> or <i>deed of trust</i> . If a payment is 30 days late, the mortgage is in default, and it may give the lender the right to start <i>foreclosure</i> proceedings.

Delinquency	When a mortgage payment is past due.
Deposit	A sum of money given to bind a sale of real estate — also called <i>earnest money</i> .
Depreciation	A loss or decrease in the value of a piece of property due to age, wear and tear, or unfavorable changes in the neighborhood; opposite of <i>appreciation</i> .
Documentary Stamps	In some states a tax, in the form of stamps, required on deeds and mortgages when real estate <i>title</i> passes from one owner to another. The amount required differs from one state to another.
Earnest Money	(see <i>Deposit</i>)
Easement	The right to use land owned by another. For instance, the electric company has easement rights to allow their power lines to cross another's property.
ECOA	Equal Credit Opportunity Act — a federal law that requires lenders to loan without discrimination based on race, color, religion, national origin, sex, marital status, or income from public assistance programs.
Encumbrance	Anything that limits the interest in a title to property, such as a <i>mortgage</i> , a <i>lien</i> , an <i>easement</i> , a <i>deed restriction</i> , or unpaid taxes.
Equity	A buyer's initial ownership interest in a house that increases as he pays off a mortgage loan. When the mortgage is fully paid, the owner has 100% equity in his house.
Escrow	Money or documents held by a third party until all the conditions of a contract are met.
Escrow Agent	The third party responsible to the buyer and seller or to the lender and borrower for holding the money or documents until the terms of a purchase agreement are met.
Escrow Payment	That part of a borrower's monthly payment held by the lender to pay for taxes, hazard insurance, mortgage insurance, and other items until they become due. Also known as impounds or reserves in some states.
FHA	Federal Housing Administration — a division of the U.S. Department of Housing and Urban Development (<i>HUD</i>). Its main activity is to insure home mortgage loans made by private lenders.
FmHA	Farmers Home Administration — a government agency (part of the Department of Agriculture) which provides financing to farmers or other qualified buyers (usually in rural areas) who are unable to obtain loans elsewhere.
Finance Charge	The total of all charges one must pay in order to get a loan.
Firm Commitment	An agreement from a lender to make a loan to a particular borrower on a particular property. Also an FHA or private mortgage insurance company agreement to insure a loan on a particular property for a particular borrower.

Forbearance	The act of delaying legal action to <i>foreclose</i> on a mortgage that is overdue. Usually it is granted only when a satisfactory arrangement has been made with the lender to make up the late payments at a future date.
Foreclosure	The legal process by which a lender forces payment of a loan (under a <i>mortgage</i> or <i>deed of trust</i>) by taking the property from the owner (<i>mortgagor</i>) and selling it to pay off the debt.
Grantee	That party in the deed who is the buyer.
Grantor	That party in the deed who is the seller.
Guaranteed Loan	A loan guaranteed to be paid by the VA or FmHA in the event the borrower fails to do so (<i>defaults</i>).
Guaranty	A promise by one party to pay the debt of another if that other fails to do so.
Hazard Insurance	Insurance which protects against damage caused to property by fire, windstorm, or other common hazard. Required by many lenders to be carried in an amount at least equal to the mortgage.
Homeowners Insurance Policy	Insurance that covers the house and its contents in the case of fire, wind damage, theft, and covers the homeowner in case someone is injured on the property and brings a suit.
HUD	The U.S. Department of Housing and Urban Development.
Impound	(<i>see Escrow</i>)
Installment	The regular payment that a borrower agrees to make to a lender.
Insurance Binder	A document stating that an individual or property is insured, even though the insurance policy has not yet been issued.
Insured Loan	A loan insured by FHA or a private mortgage insurance company.
Interest	A charge paid for borrowing money. Also a right, share or <i>title</i> in property.
Joint Tenancy	An equal, undivided ownership of property by two or more persons. Should one of the parties die, his share of the ownership would pass to the surviving owners (right of survivorship).
Late Charge	An additional fee a lender charges a borrower if his mortgage payments are not made on time.
Lien	A hold or claim which someone has on the property of another, as <i>security</i> for a debt or charge; if a lien is not removed (if debt is not paid), the property may be sold to pay off the lien.
Listing	Registering of properties for sale with one or more real estate brokers or agents allowing the broker who actually sells the property to get the <i>commission</i> .
Loan Disclosure Note	Document spelling out all the terms involved in obtaining and paying off a loan.

Mortgage	A special loan for buying property.
Mortgage Interest Subsidy	A monthly payment by the Federal Government to a mortgagee (lender) which reduces the amount of <i>interest</i> the mortgagor (homeowner) has to pay to the lender to as low as 4%, if the homeowner falls within certain income limits.
Mortgage Origination Fee	A charge by the lender for the work involved in the preparation and servicing of a mortgage request. Usually 1% of the loan amount.
Mortgagee	The lender who makes a mortgage loan.
Mortgagor	The person borrowing money for a mortgage loan.
Option (to buy)	An agreement granting a potential buyer the right to buy a piece of property at a stated price within a stated period of time.
PITI	Principal, interest, taxes, and insurance (in FHA and VA loans paid to the bank each month).
Plat (or plot)	A map of a piece of land showing its boundaries, length, width, and any easements.
Point(s)	An amount equal to 1% of the principal amount of a loan. Points are a one-time charge collected by the lender at <i>closing</i> to increase the return on the loan. In FHA or VA loans, the borrower is not allowed to pay any points.
Prepaid Items	An advance payment, at the time of closing, for taxes, hazard insurance, and mortgage insurance which is held in an <i>escrow account</i> by the lender.
Prepayment Penalty	A charge made by the lender if a mortgage loan is paid off <i>before</i> the due date. FHA does not permit such a penalty on its FHA-insured loans.
Principal	The amount of money borrowed which must be paid back, along with interest and other finance charges.
Purchase Agreement	A written document in which a seller agrees to sell, and a buyer agrees to buy a piece of property, with certain conditions and terms of the sale spelled out, such as sales price, date of closing, condition of property, etc. The agreement is secured by a <i>deposit</i> or down payment of <i>earnest money</i> .
Quitclaim Deed	<i>(see Deed, Quitclaim)</i>
Real Estate	Land and the structures thereon. Also anything of a permanent nature such as trees, minerals, and the interest and rights in these items.
Real Estate Agent	An individual who can show property for sale on behalf of a seller, but who may not have a license to transact the sale and collect the sales commission.
Real Estate Broker	An individual who can show property for sale on behalf of a seller, and who has a valid license to sell real estate. The real estate broker represents the seller and is paid a <i>commission</i> when the property is sold.

Realtor	A real estate broker or an associate holding active membership in a local real estate board affiliated with the National Association of Realtors.
Recording Fees	The charge by an attorney to put on public record the details of legal documents such as a deed or mortgage.
Refinancing	The process of paying off one loan with the money (proceeds) from another loan.
RESPA	Real Estate Settlement Procedures Act — A federal law that requires lenders to send to the home mortgage borrower (within 3 business days) an estimate of the <i>closing (settlement) costs</i> . RESPA also limits the amount lenders may hold in an <i>escrow</i> account for real estate taxes and insurance, and requires the disclosure of settlement costs to both buyers and sellers 24 hours before the <i>closing</i> .
Restrictions	A legal limitation in the deed on the use of property.
Right of Rescission	That section of the Truth-in-Lending Law which allows a consumer the right to change his/her mind and cancel a contract within 3 days after signing it. This right to cancel is in force if the contract would involve obtaining a loan, and the loan would place a <i>lien</i> on the property.
Right of Way	An <i>easement</i> on property, where the property owner gives another person the right to pass over his land.
Sales Agreement	<i>(see Purchase Agreement)</i>
Settlement Costs	<i>(see Closing Costs)</i>
Sole Owner	Ownership of a property by a single individual.
Stamps	<i>(see Documentary Stamps)</i>
Survey	A map or <i>plat</i> made by a licensed surveyor showing the measurements of a piece of land; its location, dimensions, and the location and dimensions of any improvements on the land.
Tenancy-by-the-Entirety	The joint ownership of property by a husband and wife. If either one dies, his or her share of ownership goes to the survivor.
Tenancy-in-Common	When property is owned by two or more persons with the terms creating a <i>joint tenancy</i> . In the event one of the owners dies, his share of the property would not go to the other owner automatically, but rather to his heirs.
Title	The rights of ownership of a particular property, and the documents which proves that ownership (commonly a <i>deed</i>).
Title Defects	An outstanding claim or <i>encumbrance</i> on property which affects its marketability (whether or not it can be freely sold).

Title Insurance

Special insurance which usually protects lenders against loss of their interest in property due to legal defects in the title. An owner can protect his interest by purchasing separate coverage.

Title Search

An examination of public records to uncover any past or current facts regarding the ownership of a piece of property. A title search is intended to make sure the title is marketable and free from *defects*.

Truth-in-Lending

A federal law which provides that the terms of a loan (including all the finance charges) must be disclosed to the borrower before the loan is signed. It also contains a provision for the *Right of Rescission*.

VA

Veterans Administration — The VA guarantees a certain proportion of a mortgage loan made to a veteran by a private lender. Sometimes called GI loans, these usually require very low down payments and permit long repayment terms.

Warranty Deed

(see Deed, Warranty)

Zoning

The power of a local municipal government (city or town) to regulate the use of property within the municipality.