

## GETTING STARTED

***Buying a home is one of life's most exciting adventures.*** Being a homeowner gives you the opportunity to put down roots, become part of a community, and build your wealth for the future. But the trek to becoming a homeowner is no small feat.

The good news is, you've come to the right place. This Homebuyer's Guidebook has everything you need to get acquainted with the homebuying process, from getting a mortgage to receiving the keys to your new home. As you move through the process, remember, we'll be here to answer any questions you have and guide you each step of the way.



# Ready to embark on your homebuying journey?

Below is an overview of the major steps you'll encounter along the way.  
Read on for more detailed information about each part of the process.



## Pre-qualification

*Know how much home you can afford.*

## Find a Home

*Discover your dream home and make an offer.*

## Get a Mortgage

*Choose the right mortgage for your situation.*

## Closing

*Become the legal owner of your new home.*

## Move in!

*One journey ends and another begins!*

## YOUR GUIDES

# A look at everyone involved in the homebuying process



### Lending Team

**Loan Officer:** Your guide from start to finish. Helps you determine what you can afford, choose a loan program, and keeps you informed throughout the loan process.

**Processor:** Reviews your loan application to make sure it's complete and accurate before handing it off to the underwriter.

**Underwriter:** Makes the final decision to approve or deny your mortgage loan based on your specific financial situation.



### Real Estate Agents

**Buyer's Agent:** Helps you find a home and negotiates the offer on your behalf. Ask your loan officer for a referral to a reputable agent. Be sure to talk to a few agents before choosing one.

**Listing Agent:** Represents the seller and helps them negotiate the prices and terms in the sale of the home.



### Home Inspector

Inspects your soon-to-be home to assess its condition and identify any needed repairs before you buy.



### Appraiser

Determines the value of the home you're buying, which helps the lender know how much money to lend you.



### Title Company

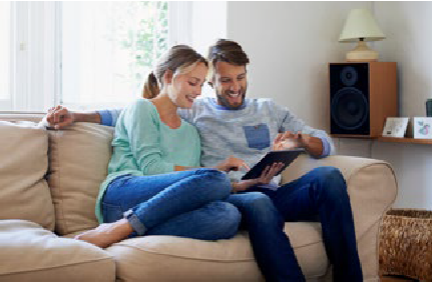
Ensures the property title is clear of any liens or claims and prepares a title insurance policy for the property.



### Closing Agent

Acts as an impartial third party who plays the important role of overseeing the final details of the real estate transaction.

## Get Pre-qualified



Before you start looking at houses, work with your loan officer to get pre-qualified, which will let you know how much home you can afford. This can help you narrow your home search to houses within your budget, give you an idea of how much you'll need for a down payment, and help you identify budgeting goals to work toward.

To determine the loan amount you can qualify for, your lender will look at your income, debts, savings, and assets.

As a general rule of thumb, your monthly housing expense should not exceed 28% of your gross monthly income.

While getting pre-qualified can be a big advantage during your home search, it's not a guarantee for a loan. Getting approved for a mortgage happens later in the process. Jump to page 4.2 to learn more about the mortgage application and approval process.

## Qualifying for a Loan: What Lenders Look At

Lenders look at a variety of factors when determining if you qualify for a loan.

### The 4 Cs of Credit

- 1 Character** represents your credit history or financial integrity. Your credit score, how much credit you've used in the past, and whether you make your payments on time are examples of your financial integrity.
- 2 Capacity** represents your ability to repay a loan. The amount of your income and assets are compared against your monthly debts to make sure you can afford a loan.
- 3 Collateral** is the asset securing the loan — in other words, the value of the home itself. If you default on your payments, the home can be repossessed by the lender.
- 4 Capital** is how much money you're able to invest in the collateral, represented by your down payment. The amount of capital you contribute shows that you have "skin in the game" and reduces the risk to the lender.

### Understanding Loan-to-Value (LTV)

LTV expresses how much you're borrowing compared to the value of the home. A lower LTV is more favorable because it represents less risk to the lender. This ratio is calculated as:

$\frac{\text{Amount Borrowed}}{\text{Appraised Value of Property}}$	$= \text{LTV}$
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For example, let's say you need to borrow **\$90,000** to purchase a **\$100,000** home. Your LTV ratio would be **90%**.

$\frac{\$90,000}{\$100,000}$	$= 90\% \text{ LTV}$
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The higher your down payment, the lower your LTV. This is important because a LTV higher than 80% (in other words, a down payment less than 20%) typically means you'll have to pay mortgage insurance.

### Understanding Debt-to-Income (DTI)

DTI shows how much debt you have compared to your monthly income. The lower your DTI, the better your chances are for qualifying for a loan. The ratio is calculated as:

$\frac{\text{Total Recurring Monthly Debt}}{\text{Gross Monthly Income}}$	$= \text{DTI}$
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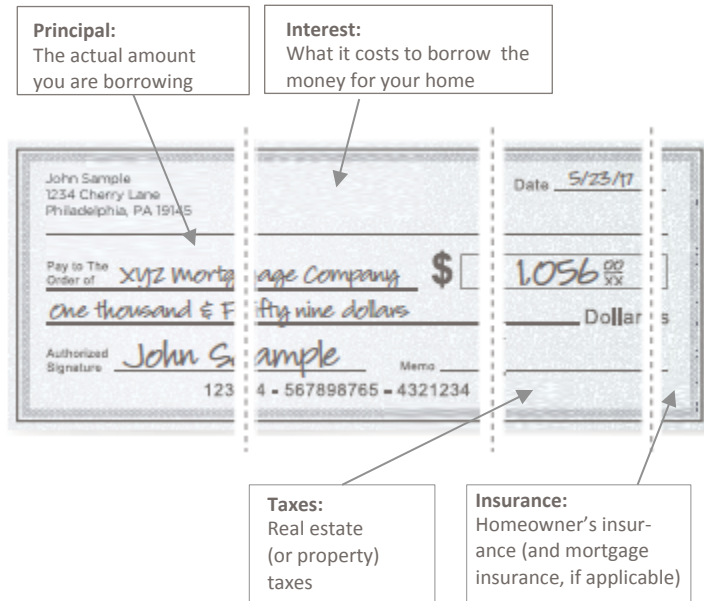
For example, let's say your total monthly debts add up to **\$2,000**, and your gross monthly income is **\$6,000**. Your DTI ratio would be **33%**.

$\frac{\$2,000 \text{ Debt}}{\$6,000 \text{ Income}}$	$= 33\% \text{ DTI}$
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Remember, your monthly housing expense (not including other debts) should not exceed 28% of your gross monthly income.

## Anatomy of a Mortgage Payment

Your monthly mortgage payment is made up of the following elements:



## Understanding Escrow

You may have noticed that taxes and insurance make up a portion of your monthly mortgage payment. These are called **escrow payments**.

Each month, your lender will collect money from you (in your monthly mortgage payment) and put that money into an escrow account to pay your property taxes and insurance on your behalf. This not only protects the lender's investment but also makes it easier for you to pay these expenses, rather than having to plan for hefty tax bills or insurance premiums on your own.

Your escrow payments include the following:

- **Real Estate Taxes:** A percentage of your home's assessed value that gets paid to your local government to fund roads, schools, and other local services.<sup>(1)</sup>
- **Homeowner's Insurance:** Protects your home in case of theft or acts of nature, such as fire, hail, or tornadoes.<sup>(1) (2)</sup>
- **Mortgage Insurance (if applicable):** If you put down less than 20% when you buy your home, you'll have to pay mortgage insurance. Let's take a closer look at how mortgage insurance works next.

<sup>1</sup> This amount is estimated by your lender, so keep in mind that you may get a refund or have to pay a balance at the end of the year.

<sup>2</sup> Typically excludes floods and earthquakes.

## What Is Mortgage Insurance?

Mortgage Insurance (MI) protects the lender in the event that you fall behind on your mortgage payments. If you put down less than 20% when

you buy your home, you'll have to pay MI (also referred to as private mortgage insurance [PMI] or a mortgage insurance premium [MIP], depending on the type of loan product you choose).



### *By the way...*

*Some loan programs, like VA loans, don't require MI, no matter how big or small your down payment.*

### **How Mortgage Insurance Can Benefit You**

While MI places an added expense on your monthly mortgage payment, it can be worth it by helping you purchase a home sooner. For example, let's say you only have 5% saved up for a down payment.

Rather than waiting to save up for a full 20% down payment, which could take years, you could purchase a home now with your 5% down payment and pay MI as a tradeoff. Once you have enough equity built up, you may be able to cancel your MI. That's because as you build equity, your LTV decreases. Remember in an earlier section how we said borrowing \$90,000 to purchase a \$100,000 home would equal a 90% LTV? In that scenario, once you've built up enough equity and your LTV reaches 80% (i.e., once you owe \$80,000), you can request to have your MI canceled.

Talk to your loan officer to learn more about how MI works.



### *What is Equity?*

*Equity is the amount of home you actually own. Equity builds gradually as you pay down your mortgage and can also increase as your home's value appreciates over time.*

*You can get rid of MI once you have 20% equity in your home.*

## Closing Costs: Fees You Should Know About

In addition to your down payment and monthly mortgage payment, there are several other costs that come with buying a home. These are called closing costs.

Closing costs often represent one of the most unexpected expenses for homebuyers. They typically account for 2% to 5% of the home's purchase price, so it's important to save for them ahead of time. Closing costs are due on closing day, or the day you sign your loan paperwork and the property title is transferred into your name. Everyone's closing costs vary slightly, but below are some examples of what might be included:

- **Appraisal Fee:** A fee paid to the appraiser to estimate the fair market value of your home.
- **Attorney Fees:** If your state requires an attorney to be present at closing, you'll be responsible for any applicable attorney fees.
- **Credit Report Fee:** A fee paid to the lender that covers the cost of pulling your credit report. Your lender looks at your credit history to determine your creditworthiness, or how likely you are to repay your debt.
- **Discount Points:** An optional, upfront fee that you can pay to lower your interest rate over the life of your loan. One point typically equals 1% of the loan amount.
- **Home Inspection Fee:** A fee paid to the home inspector for assessing the home's condition and identifying any needed repairs.
- **Origination Fee:** A fee charged by the lender for originating or creating the loan. Typically 1% of the loan amount.
- **Prepaid Expenses:** A portion of your property taxes, homeowner's insurance, and accrued mortgage interest will need to be paid up front at closing.
- **Recording Fees:** Fees paid to your local government for recording the real estate purchase and making it a part of public record.
- **Title Service Fees:** Fees paid to the title company covering the title search, title examination, title insurance, and in some states, the fee for facilitating your closing.
- **Transfer Taxes:** A tax imposed on the transfer of the title from the seller to the buyer.

To learn more about closing and how it works, jump to page 5.1.



### Negotiation Tip

*You can negotiate with the seller to pay some or all of the closing costs. If the seller won't pay and you can't afford your closing costs, talk to your lender about adding the closing costs into your loan.*



## COSTS THAT COME WITH BUYING A HOME

### Other Expenses to Save For

Aside from the actual real estate transaction, there are several other fees that come with buying a home. These will vary depending on your situation, but be sure you also save for:



- **Moving costs.** From packing supplies to hiring a moving company, moving can hit you with a lot of unexpected expenses. Make sure you budget and save for these ahead of time.



- **Maintenance and repairs.** Owning a home includes the added responsibility of upkeep. If an appliance breaks down or your roof starts to leak, you'll have to cover the costs to repair it.

- **Utility bills.** Moving from an apartment to a house? If you weren't paying for water and garbage before, be aware that you'll be responsible for these going forward, in addition to your normal utilities.



- **Homeowners' Association (HOA) fees.** If you move to a condo, townhouse, or subdivision, you may have to pay a monthly HOA fee to cover amenities, which may include trash removal, lawn care, and access to a community clubhouse, pool, or golf course, to name a few.



Once you're aware of all the costs involved and have worked with your lender to determine what you can afford, it's time to begin your search for a home.

## Finding a Real Estate Agent

Your real estate agent is a valuable partner in the homebuying process. He or she will help you find your dream home and present the offer to the seller on your behalf.

When looking for an agent, start by asking your lender, a friend, or a family member for a referral. Be sure to talk to a few agents before choosing one.

Here are a few things to consider when looking for an agent:

**Licensing.** All agents and brokers are required to be licensed by the state in which he or she does business. Do a quick internet search to verify your agent's license is in good standing and that no disciplinary action has been taken against them.

**Experience.** Has the agent been around for just a few years, or are they a seasoned professional? Do they have experience in your market? Are they unafraid to negotiate to get you the best deal? These are all important factors to consider to make sure you find an agent that's right for you.

**Reputation.** One of the best ways to identify a good agent is by what past customers say about them, so be sure to read reviews online before choosing your agent. Doing so will give you insight into the opinions and experiences of other homeowners and will help you make a more informed decision.

## Finding the Right Home

Home hunting can be an exhilarating yet draining process. What should you look for, and how do you keep track of the features you loved, as well as the things you didn't? Here are some things to consider each time you view a new property.

### RESEARCH

- Neighborhoods
- Cell Phone Coverage
- Local Neighborhood Home Values
- Additional Fees

### INTERIOR FEATURES

- Flooring, Windows, & Ceiling
- Walls
- Bathrooms & Kitchen
- Rooms
- Stairs
- Doors
- Systems

### EXTERIOR CONDITIONS

- Roof
- Foundation, Driveway, & Pool
- Siding
- Landscaping & Curb Appeal
- Garage
- Patio/Deck
- Pests



## Making an Offer

Once you've found the home you love, it's time to make an offer. The offer, or purchase agreement, is a legal document that outlines the terms and conditions of the sale. This may include but is not limited to:

- Address and legal property description
- Purchase price
- Down payment amount
- Earnest money that must be paid
- Expiration date for the offer
- A commitment by the seller to provide a clear title to the property
- Target closing date
- Target move-in date
- Any contingencies the agreement is subject to, such as the buyer's need to obtain a mortgage or get a home inspection

In some states, your real estate agent will prepare this document, or the state may require an attorney to draft it. Be prepared for the seller to come back with a counter offer before fully signing off on the deal.

### What is Earnest Money?

Earnest money is a deposit you put down when making an offer. It's a sign of good faith to show you're serious about the transaction. The amount varies, but it could be between 1% and 3% of the purchase price. The money gets held in an escrow account until the transaction is finalized, at which point it will go toward your down payment.



#### *Confused About Escrow?*

*An escrow account is simply a third party account used to hold money for two parties during a transaction.*

*If you recall, the term escrow account was mentioned earlier when we talked about the taxes and insurance that your lender collects as part of your monthly mortgage payment. This is just one example of escrow. The earnest money you put down when you make an offer on a home is another scenario where escrow is involved.*

## The Home Inspection

After both parties have signed the purchase agreement, it's time to get a home inspection. A home inspection is not typically required to buy a home, but it is strongly recommended. In some cases, it may be a contingency on your purchase agreement, meaning it must take place, or the deal will be void.

### Why You Should Get a Home Inspection

A home inspection is a thorough examination of the property that identifies the home's structural and mechanical condition and points out any needed repairs. On average, an inspection costs between \$300 and \$500, although cost varies depending on the location, age, and size of the house. While a home inspection will cost you a small sum of money up front, it can help you know what you're buying. For instance, if the property needs major repairs, an inspection will help you know ahead of time. Keep in mind, you may be able to negotiate with the seller to pay for repairs.



# CAUTION—Your Action is Required Soon

U.S. Department of Housing  
and Urban Development  
Federal Housing Administration (FHA)



OMB Approval No: 2502-0538  
(exp. 06/30/2021)

## **For Your Protection: Get a Home Inspection**

### **You must make a choice on getting a Home Inspection. It is not done automatically.**

You have the right to examine carefully your potential new home with a professional home inspector. But a home inspection is not required by law, and will occur only if you ask for one and make the arrangements. You may schedule the inspection for before or after signing your contract. You may be able to negotiate with the seller to make the contract contingent on the results of the inspection. For this reason, it is usually in your best interest to conduct your home inspection as soon as possible if you want one. In a home inspection, a professional home inspector takes an in-depth, unbiased look at your potential new home to:

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

### **The Appraisal is NOT a Home Inspection and does not replace an inspection.**

An appraisal estimates the market value of the home to protect the lender. An appraisal does not examine or evaluate the condition of the home to protect the homebuyer. An appraisal only makes sure that the home meets FHA and/or your lender's minimum property standards. A home inspection provides much more detail.

### **FHA and Lenders may not Guarantee the Condition of your Potential New Home**

If you find problems with your new home after closing, neither FHA nor your lender may give or lend you money for repairs. Additionally, neither FHA nor your lender may buy the home back from you. Ask a qualified home inspector to inspect your potential new home and give you the information you need to make a wise decision.

### **Your Home Inspector may test for Radon, Health/Safety, and Energy Efficiency**

EPA, HUD and DOE recommend that houses be tested and inspected for radon, health and safety, and energy efficiency, respectively. Specific tests are available to you. You may ask about tests with your home inspector, in addition to the structural and mechanical systems inspection. For more information: Radon -- call 1-800-SOS-Radon; Health and Safety -- see the HUD Healthy Homes Program at [www.HUD.gov](http://www.HUD.gov); Energy Efficiency -- see the DOE EnergyStar Program at [www.energystar.gov](http://www.energystar.gov).

### **Selecting a Trained Professional Home Inspector**

Seek referrals from friends, neighbors, other buyers, realtors, as well as local listings from licensing authorities and local advertisements. In addition, consult the American Society of Home Inspectors (ASHI) on the web at: [www.ashi.org](http://www.ashi.org) or by telephone at: 1-800-743-2744.

**I / We (circle one) have read this document and understand that if I/we wish to get a home inspection, it is best do so as soon as possible. The appraisal is not a home inspection. I/we will make a voluntary choice whether to get a home inspection. A home inspection will be done only if I/we ask for one and schedule it. Your lender may not perform a home inspection and neither FHA nor your lender may guarantee the condition of the home. Health and safety tests can be included in the home inspection if I/we choose.**

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
(Signed) Homebuyer                      Date

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
(Signed) Homebuyer                      Date

Public reporting burden for this collection is estimated at an average of 30 minutes to review the instructions, find the information, and complete this form. This agency cannot conduct or sponsor a collection of information unless a valid OMB number is displayed. You are not required to respond to a collection of information if this number is not displayed. Valid OMB numbers can be located on the OMB Internet page at <http://www.whitehouse.gov/library/omb/OMBINVC.html> - HUD If desired you can call 1-800-827-1000 to get information on where to send comments or suggestions about this form.



HUD-92564-CN (expiration)



## TEN IMPORTANT QUESTIONS TO ASK YOUR HOME INSPECTOR

### 1. What does your inspection cover?

The inspector should ensure that their inspection and inspection report will meet all applicable requirements in your state if applicable and will comply with a well-recognized standard of practice and code of ethics. You should be able to request and see a copy of these items ahead of time and ask any questions you may have. If there are any areas you want to make sure are inspected, be sure to identify them upfront.

### 2. How long have you been practicing in the home inspection profession and how many inspections have you completed?

The inspector should be able to provide his or her history in the profession and perhaps even a few names as referrals. Newer inspectors can be very qualified, and many work with a partner or have access to more experienced inspectors to assist them in the inspection.

### 3. Are you specifically experienced in residential inspection?

Related experience in construction or engineering is helpful, but is no substitute for training and experience in the unique discipline of home inspection. If the inspection is for a commercial property, then this should be asked about as well.

### 4. Do you offer to do repairs or improvements based on the inspection?

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

### 5. How long will the inspection take?

The average on-site inspection time for a single inspector is two to three hours for a typical single-family house; anything significantly less may not be enough time to perform a thorough inspection. Additional inspectors may be brought in for very large properties and buildings.

### 6. How much will it cost?

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

### 7. What type of inspection report do you provide and how long will it take to receive the report?

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

### 8. Will I be able to attend the inspection?

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

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

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

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

One can never know it all, and the inspector's commitment to continuing education is a good measure of his or her professionalism and service to the consumer. This is especially important in cases where the home is much older or includes unique elements requiring additional or updated training.

The offer has been accepted, and the home inspection has been completed. Now it's time to apply for a loan and secure your mortgage commitment.

## Get the Right Mortgage for Your Situation

When it comes to home financing, there's no one-size-fits-all approach. There are a variety of loan programs available to meet your specific financial situation, and you should talk to your lender about which one is right for you.

### What type of loan is right for you?

#### LOAN PRODUCTS: FIXED RATE VS. ADJUSTABLE RATE MORTGAGES (ARMS)

**Fixed Rate:** A fixed rate loan provides a fixed rate throughout the life of the loan, meaning the rate will not change 10, 20, or 30 years from now. A fixed rate loan may be the better choice if you want stable payments and plan to live in your home long-term.

**ARM:** With adjustable rate mortgages (ARMs), the interest rate will fluctuate over time. ARMs can either go up or down, which will affect your monthly payment. An ARM may be a good option if you only plan to live in your home for a few years.

#### LOAN TYPES: CONVENTIONAL VS. GOVERNMENT-SPONSORED

**Conventional loans.** With a conventional loan, the lender assumes the risk for lending you money. As a result, conventional loans have more stringent credit requirements and higher down payment requirements.

**Conforming loans** are those that adhere to loan limits set by the Federal Housing Finance Agency (FHFA). For 2018, the conforming limit is \$453,100.<sup>3</sup>

**Jumbo loans** are those that exceed the conforming loan limits. Interest rates are usually higher on jumbo loans because they represent greater risk to the lender. There may also be stricter credit standards and underwriting requirements.

**Government-sponsored loans.** With a government-sponsored loan, the government backs the loan, or assumes the risk for lending you money. They typically have lower credit and down payment requirements to make it easier for you to obtain a mortgage.

**FHA:** Federal Housing Administration (FHA) loans allow you to purchase a home with as little as 3.5% down. Because of the low down payment, borrowers are required to pay a mortgage insurance premium (MIP) on top of their monthly payment.

**VA:** Backed by the U.S. Department of Veterans Affairs, VA loans require no down payment (100% financing) and no mortgage insurance. They are available to eligible veterans, active duty members, reservists, National Guard members, and surviving spouses.

**USDA:** Backed by the U.S. Department of Agriculture, USDA loans are available for homes in eligible rural areas. While USDA loans do not require a down payment, they do require mortgage insurance.

<sup>3</sup>In high-cost areas of the country, where 115 percent of the local median home value exceeds the baseline loan limit, higher loan limits will apply.

## Paperwork You'll Need for the Loan Application

When it comes time to submit your loan application, your lender will ask for a lot of different documents. Use this checklist to help get your paperwork in order.

- ✓ Tax returns
- ✓ W2s and/or 1099s
- ✓ Recent bank statements
- ✓ Recent paystubs
- ✓ Residence history
- ✓ A list of all your debts, such as credit cards, car loans, student loans
- ✓ A list of all your assets, including investment and retirement accounts

*Additional documents may be required. Check with your loan officer for a complete and final list.*

## Application Process

Once you've submitted your loan application, it triggers a series of events that must take place before you get your loan approval.

### The Loan Estimate

Within three days of submitting your application, your lender must provide you with a Loan Estimate (LE), which is a form that outlines that details of the loan that you've applied for. This is not a loan approval but rather a summary of what your loan will look like should you decide to move forward.

### Processing

If you decide to move forward, the application will then get turned over to the processor, who reviews the loan file to make sure all the necessary paperwork is present. The processor will work with your loan officer to collect all the documentation needed for the loan. During the processing stage, an appraisal will be ordered on your prospective property to ensure that the home is worth the amount of the loan for which you have applied.

### Appraisal

During the appraisal process, a licensed third party will evaluate the property in order to determine the value of the home. The appraiser will look at the home's condition, age, and size. He or she will compare the property to other home sales in the neighborhood and consider the replacement cost of the property.



## Application Process (cont.)

### Underwriting

Once the processor has compiled a complete loan file (i.e., the application and all supporting documents), the underwriter reviews the application in detail to make the final decision to approve or deny your mortgage loan. This includes reviewing your employment history, credit history, and the appraisal report. The underwriter also ensures your mortgage meets current loan product guidelines. If the underwriter requests further documentation, you will be required to provide it before going forward. This happens often, so don't be alarmed if you're asked to provide additional documentation.

### Loan Commitment/Approval

If the underwriter approves your application, you'll receive what's called a loan commitment letter, which confirms your approval for the loan. This document outlines the details of your loan, including the amount being borrowed, the interest rate, and the term or repayment period.

Once you've received your loan commitment, the next step in the process is closing on your home.

## What NOT to Do During the Loan Process

Once you're cleared to close, you may want to go out and celebrate by buying new furniture or appliances, but doing so could jeopardize your loan approval. Here are some steps you should avoid taking until you've closed on your home.

- 1 **Don't** apply for credit (such as a new credit card, car loan, or financing for furniture or appliances)
- 2 **Don't** make major purchases
- 3 **Don't** liquidate funds
- 4 **Don't** make large deposits
- 5 **Don't** switch jobs

All of these factors could impact your final closing, even if you've already been approved.



## What Is Closing?



Closing is the final part of the homebuying process where you commit to your mortgage and become the legal owner of your new home. On closing day, you'll sign your loan paperwork, and the property title will be transferred into your name.

### Who will be present at closing?

- You (the buyer)
- Mortgage lender
- Seller
- Seller's Agent
- Title company
- Attorneys (if applicable in your state)
- Closing agent

## Before You Close

To ensure a smooth closing, make sure you've taken the following steps prior to closing day:

- 1 Get a home inspection.
- 2 Get a homeowner's insurance policy.
- 3 Determine who your closing agent will be.
- 4 Review the Closing Disclosure and make sure any errors are corrected. The lender is required by law to provide this three days before closing. After the Closing Disclosure is issued, you must wait three days to close. If any fees change, another disclosure must be issued and you must wait an additional three days.
- 5 Ask your lender to provide you with a copy of your other closing documents so you can review them in advance. These include the promissory note and mortgage (also known as the security instrument or deed of trust).
- 6 Find out how much money will be needed to close and how to transfer payment (e.g., cashier's check, wire transfer).
- 7 Do a final walk-through of the home 24 hours before closing to ensure all repairs have been made.

## On Closing Day

The big day has finally arrived! Make sure it goes off without a hitch with these tips.

### What to Bring

- ✓ Photo ID
- ✓ Cashier's check or proof of wire transfer to cover your down payment and closing costs
- ✓ Checkbook (in case there are any last minute changes)
- ✓ Proof of homeowner's insurance, your purchase agreement, and a copy of the home inspection

### What to Expect

Be prepared for a lot of paperwork. You'll likely be required to sign two, possibly three, copies of each document. Plan for this to take a few hours. Don't rush it, and be sure to ask a lot of questions. If something doesn't make sense to you, ask.

If your state doesn't require an attorney to be present, it may be a good idea to arrange for one anyway to ensure you understand everything you're signing.



## Congratulations! You're a homeowner!

You've finally made it past closing. Now it's time to move in! Below are some final reminders to help you get started on the right foot as a homeowner.

- File your closing packet in a safe place
- Change your address with:
  - The US Postal Service
  - Your bank and credit card companies
  - The Department of Motor Vehicles (update your ID or driver's license)
  - Your insurance company, internet provider, and phone company
- Switch utilities to your new address
  - Water
  - Electric
  - Gas
  - Garbage

## We're Here to Help

Part of being your lender means not just guiding you during the mortgage process but also staying in touch after your loan closes. We'll reach out periodically to let you know of any changes in the market and whether there is an opportunity for you to save money, so you will always know where your mortgage stands.

If you ever have questions about your mortgage, just reach out to us. We're here to help.



**Attachment A-4**

**City of Philadelphia, Division of Housing and Community Development**

**Foreclosure Prevention Counseling Form**

**SaveYourHomePhilly! Hotline, 215-334-HOME(4663)**

Housing Counseling Agency:

I, housing counselor (Name & Phone Number), \_\_\_\_\_ certify that I provided and explained the following information as an integral part of pre-purchase and homeowner services counseling:

**Please contact the Save Your Home Philly! Hotline, 215-334-HOME (4663),** to be referred to a City funded housing counseling agency for free assistance when you first experience difficulties paying your mortgage or City taxes (real estate/water). The Housing Counseling agencies listed on the flip-side of this page can also assist you filing out the required applications in hopes of curing the default.

**Mortgage Delinquency Notices**

- **Act 6 Notice/Notice of Intention to Foreclosure (FHA Loans)**: Sent when you are 60 days behind in your mortgage payments.
- **Act 91 Notice (Conventional Loans)** Sent when you are three (3) months delinquent with your conventional loan, advising homeowners to apply for a HEMAP loan (Homeowners Emergency Mortgage Assistance Program), administered by the Pennsylvania Housing Finance Assistance Agency (PHFA).
  - **HEMAP**: loan to bring the mortgage current for homeowners who, through no fault of their own, are financially unable to make their mortgage payments and are in danger of losing their homes to foreclosure. HEMAP is a loan program to prevent foreclosure. Client must be a good prospect for repayment mortgage.

**Mortgage Foreclosure Complaint and the Diversion Program** When a foreclosure complaint is filed in the City of Philadelphia, the owner-occupant is served with the complaint and given a date to appear for a Conciliation Conference in City Hall. The owner-occupant is also notified to call the SaveYourHomePhilly! Hotline, to schedule an appointment with a City funded housing counselor, at no cost, in order to participate in the Conciliation Conferences. The housing counselor will review your case for options such as:

- **Reinstatement** – paying the entire past due amount.
- **Forbearance Agreement** (formal and informal) - temporarily suspend or reduce your monthly mortgage payments for a specific period of time.
- **Repayment Plan** - Repay past due amount plus current mortgage over several months.
- **Loan Modification** – modifies loan terms to make it sustainable.
- **Partial Claim** (FHA only) – Interest free loan to make mortgage current.
- **Refinancing**: Getting a new loan to satisfy the previous one.
- **Assumption**: process by a qualify borrower takes over someone else's mortgage.

**Real Estate Taxes and other Municipal Liens payment programs** The City is required to mail proper past dues notices to all homeowners before filing a court action. When a foreclosure complaint is filed in the City of Philadelphia, the owner-occupant is served with the complaint (rule to show cause) and given a date to appear for a Rule Returnable Hearing in City Hall. The owner-occupant is also notified to call the SaveYourHomePhilly! Hotline, to schedule an appointment with a City funded housing counselor, at no cost, in order to seek help with submission of:

- Owner-occupied Real Estate Payment Agreement (“OOPA”);
- Installment Plan (for current year taxes);
- Senior Citizens Low-Income Property Tax Freeze and Water Senior Citizen Discount;
- Homestead Exemption, Longtime Owner Occupants Program (“LOOP”);
- Tax Deferral;
- Property tax/Rent Rebate;
- Water Revenue Assistance Program and Tiered Assistance Program (TAP);
- Utility Emergency Services Fund (UESF);
- Homeowners Emergency Loan Program (HELP).

Client Signature \_\_\_\_\_

Date \_\_\_\_\_

**Attachment A-4**

**Ciudad de Filadelfia, Division de Vivienda y Desarrollo Comunitario (DHCD)**